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The Fate of Intellectuals in China	33	Air Services of Malaya and Singapore	42	The Plastics Industry in Hongkong	49
Philosophy in Contemporary China	35	The Malayan Railway	43	Cathay Pacific Airways	54
Japan				Finance & Commerce	
Recent Developments in Japan's Economy	37	Indonesia		Hongkong Bank's issue of Bonus Shares	55
Japanese Trade and Industry Statistics	39	Indonesian Elections and Parties	44	Investments in North America ..	56
Malaya & Singapore		Hongkong		Hongkong Exchange Markets; Hongkong Share Market and Stock Exchange in June; Trade Developments in June ..	57
Ports and Shipping of Malaya and Singapore	41	Hongkong Notes and Reports ..	47		
		Hongkong Industrial Developments	48		

THE FATE OF INTELLECTUALS IN CHINA

The elimination of the "old gang" in the Kremlin and the reaffirmation of civilised, in place of savage and Stalinist, principles in Soviet professions is on the one hand a vindication of the liberalisation policies to which Peking committed itself 18 months ago, and on the other a corresponding deflation of Chairman Mao Tse-tung's pretensions as the new dispenser-in-chief of theory and doctrine to the Communist world. But Peking can still claim the credit for remaining steadfast to liberalisation at home even if it compromised that outlook abroad after Russian intervention in Hungary. Now the Poles and the other satellites will be looking to the Kremlin with much more expectancy than they look to China and the Chinese chieftain's trip to Warsaw and other centres, including Moscow, this summer will be a sort of anti-climax instead of a powerful boost for the liberalisers and for Gomulka. What the talks between them and other satellite leaders were designed to foster has now been achieved, though there will be some anxiety until it is clear that the clearing of obstructions from the road will be followed by progress and liberalisation in earnest.

A little competition between Peking and Moscow in this would be welcomed. And Peking could begin this well by not being too hard on the more candid critics during the recent contradictions and rectification. The situation which commended persuasion rather than brutal coercion of opponents remains largely unchanged; indeed if anything it is more cogent in view of the events in Moscow. The international argument is even more important on the domestic scene, for in spite of the technique of using the various Chairmen and other members of the democratic parties and groups to denounce those

who spoke their minds too freely for the Communists' comfort, there is no doubt that in practically every single instance the critics expressed what all (including even many members of the CCP) are thinking in the present mood of disillusionment and irritation.

Presumably that is the reason why, in conformity with Soviet Communist technique, the Party claims suddenly to have discovered a great plot to overthrow it. It is too naive for words to ask a public as intelligent as the Chinese to believe that it just happens that it is precisely those men who spoke their minds most freely, like Lo Lung-chi and Chang Po-chun, who were the leading lights of this resolve. The coincidence is positively comic! And it will not help credibility much to adopt the same technique in persuading President Li Ta of Wuhan University, to disclose the "plan to organise a party of several million intellectuals to struggle for the leadership of China." The position is that the intellectuals do not need to do that: it would be sufficient if all or a large number of them possessing the professional talents, academic distinctions and scientific and other education which practically the whole of the Communists lack, withdrew their co-operation. Government, industry, and culture could not continue without them.

There has perhaps never been so remarkable a position since history was first written. Even in China's own history, no less than in that of other lands, Government has rested with the elite and the supremely qualified, and a large part of that tradition was retained even when the professional politician came on the scene. Practically every kind of professional activity and talent is represented, for example, in the British Parliament. To a large

extent that is true likewise of the Chinese P.P.C.C. But it is emphatically not true of the Central Committee of the Communist Party, though one of the ablest and most self-effacing of their number, Vice-Chairman Chen Yun, is classified as a workman: a journeyman printer! No men command greater respect in the whole country, and perhaps in the world as a whole, than the more outspoken of the critics during the recent debate, unless it be the first half-dozen of China's leaders.

No doubt the more fanatical wing of the Party would like very much to have all of them put out of harm's way and, judging by some of the angry retorts to criticisms, would like to have another cry of repression such as they enjoyed under the sanfan and wufan. Nothing caused greater rage (and consternation) than Lo Lung-chi's little suggestion that while the Communist Party was looking into the sins of the bourgeoisie and the latter looked into the sins of the Party on the basis of mutual inspection or denigration, occasion might be taken to look with some attention to detail into the excesses and outrages of the two campaigns waged by the kind and gentle activists who were set upon the bankers, industrialists and businessmen and even upon the professors, in the larger cities.

Even Khrushchev did not ask for anything quite as penetrating as that when he denounced Stalin and Stalinism. But the bully-boys who had such a good time then do have some cause to be concerned about these skeletons in the cupboard. The process of opening all the dark places and exposing all the black passions of recent history has begun. It will not end—historically and infallibly will not end—till the enquiring mind goes back a whole generation in China; and even farther back in Russia, to the voyage of Lenin in a Prussian sealed wagon back to embattled Russia and the destruction through subversion of the Russian Imperial Army when it was fighting gallantly though the enemies were at the rear no less than in front. There is much work for justice to do. But history is not blind and it uses retribution handsomely in restoring the balance, devouring the children of revolution, and, as Mr. Nehru has just recently put it, returning from the abnormal to the normal.

It is true, as Professor Li Ta proclaimed in his new role as the Revealer of Great Plots, that the critics were often very one-sided and in particular that they concentrated on how the Communists did their work rather than on the work they or rather the country as a whole had actually done under their leadership. But the forums were called neither to praise nor to bury Caesar. They were designed, at the express command of Chairman Mao Tse-tung himself, to provide an outlet for criticisms of what went wrong. And severe though some of them were, none were harsher than is customary at any session of the Mother of Parliaments and never at any time remotely approached the depth of denunciation to which the Communist official technique lent itself

so long under Stalin. Most of the criticisms were half-hearted, if only because there was the fear of a trap.

This was actually confessed by the Peking People's Daily, which said that they wanted to let the intellectuals betray themselves and their good or ill intentions so that they could be kicked in suitable places afterward. "Some people call this scheming, but we say it was quite open," commented the editorial writer in the People's Daily! "We told the enemy in advance that before 'monsters and serpents' can be wiped out they first have to be brought into the open, and only by letting poisonous weeds show themselves above ground can they be uprooted. . . . The class struggle is an objective reality which cannot be changed at will." Why had the "reactionary class enemies" thus enmeshed themselves in the net spread before their eyes by the pure and simple Communists? The answer was that they were "socially reactionary groups whose lust for advantage robs them of their wits. They mistake the overwhelming superiority (power) of the proletariat for overwhelming inferiority." The editorial went on: "They thought that by starting fires everywhere they could incite the workers and peasants and the students, and that full-blast blossoming and contending could set the world in chaos and at one fell swoop bring down the Communist Party."

It is ominous that a Party organ could thus read the thoughts and minds of the great body of intellectuals in China. Most of us who keep a close watch on the situation knew of the mass of discontents and irritations that contemporary China represented. But it is startling to find that the Party organ itself is convinced that the intellectuals are all for counter-revolution. If that were indeed the truth it would be the biggest confession of abject failure any national Communist Party has yet made. It is not much less significant if the Party organ had its tongue in its cheek and was chiefly concerned to make out a case against the Party critics which spares them the unpleasant difficulty of answering each shaft of criticism which entered almost all parts of the Party and State anatomy. As the Communist practitioners of secret justice know well, it is impossible for a political criminal to prove a negative.

There is not a scintilla of concrete evidence, other than mere assertions, to prove that there was a plot to overthrow the Party. There is no story even of bombs being planted in public parks in the major cities, as the sinister spies are always planting in their favourite bush in Canton where they are invariably discovered before they go off; no story of a trench-mortar installed in a position commanding the reviewing stand over the Peking Red Square. The critics asked at most a little authority with responsibility and a slight improvement in their status as mere stooges and even a mild sort of coalition between People's Congress and

PHILOSOPHY IN CONTEMPORARY CHINA

By T. K. David

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The only university with a fully-fledged department of philosophy is the Peking (Comprehensive) University, though some of the students there are preparing themselves to teach the subject at Wuhan University where a department is projected for the near future. Seven institutes of Philosophy and Social Sciences under the authority of the Academia Sinica are to be established in different cities, but, as yet, only the headquarters in Peking is a going concern.

Peking University is sited on the old Yenching foundation built by American missionaries in 1898 and subsequently the stronghold of the movement against the Kuo Ming Tang government: Mao Tse-tung was himself a student and later librarian there. Utilitarian concrete buildings have been set up among the gracious traditional-style houses. The philosophy department occupies three of the new buildings: its main lecture-hall for mass-meetings is adjoined by a students' reading room and a warren of small lecture-rooms and staff studies. Of a staff of eight hundred in the eleven autonomous departments in the university, sixty-five are concerned with the teaching of philosophy: five of them are professors. In addition to the two hundred philosophy students proper (sixty of whom are reading psychology), all six thousand two hundred students come under the department for what are explicitly called ideological courses.

According to the Dean of the University, Professor Chao Pei-yung, any boy or girl in China who has passed the middle-school leaving examination is qualified for admission, and so far as philosophy goes there have always been more vacancies than applicants. Tuition and board are free to those who are in receipt of government scholarships; the remainder must pay for their food only. It is claimed by the Dean that scholarships are available to all who need them.

At present the degree-course lasts for four years, each consisting of two fifty-week terms; it is intended to add a fifth year as from 1957. Philosophy students proper take a course entitled "Foundations of Natural Science" in their

first year and move on to "Foundations of Mathematics" in their second year. The works of Russell (pre-war) and many modern Russian books are referred to by the lecturers on these topics. The third-year course is called "Foreign Philosophy" and is given by Jen Hwa who was a post-graduate student at Harvard between 1941 and 1946.

I met Professor Jen in Peking in December 1955 and had the opportunity of discussing his treatment of the "foreigners". Starting with Thales he lectures for six weeks (three two-hour periods per week) on the Greeks. The British Empiricists and the Continental Rationalists are each considered for six weeks, and the rest of the time is spent on German idealism and Marxism-Leninism. Regretting the absence of text-books for the course, Jen Hwa told me that he makes "lengthy quotations" translated into Chinese by himself, and encourages his students to read and consult full texts in the university library or reading room. (A brief glance at the catalogue revealed cards for pre-war editions of the standard works. The reading-room was closed during "reconstruction"). Professor Jen's approach to western philosophy was, he said, "wholly dialectical", referring me to his article on "*A Critique of Semantic Philosophy in the Service of Imperialist Capitalist Strength*", when asked for illustrations of this approach. He had publicly disavowed the point of view which he had adopted in his Harvard doctoral thesis on *Three Types of Phenomenalism*.

Classical Chinese Philosophy is the subject of the final year course. It is given by Professor Fung Yu-lan, who has also renounced the work for which he is so well-known in the west (*A History of Chinese Philosophy*, first published in Chinese in 1934; translated by Derek Bodde—Volume 1 published in China in 1937, and Volumes 1 and 2 recently published by the Princeton University Press), and is now engaged in rewriting it from "a dialectical point of view", when it will, he hopes, be acceptable as a text-book for his own course.* Meanwhile the classics in Chinese are, of course, available to the students taking his course.

The new fifth year is being planned to cover "Ethics, Aesthetics and Contemporary Problems".

Tutorial work consists of a two-hour session once every two or three weeks at which students, to quote Fung Yu-lan, "ask questions about the lectures". During their first three years in the department, students are expected to pro-

Consultative Council not wholly unlike that between the Party Centre and the State Council.

But while there was no national plot there was no reference to the great material achievements of the regime, and this justifies some of the bitterness and wrath of the Party's resentment. But are not the Party zealots a bit out of step with M. Khrushchev when they described the liberalisers as Rightists while in Moscow it is the Stalinists who are the Rightists? But there is one little matter that falls outside the mere bandying of words. It is the decision of M. Khrushchev to abolish compulsory deliveries of farm produce. That poses a problem for Peking far more explosive than any ideological disquisition and somewhat less naive than the portentous question whether or not there can be contradictions between the ruler and the ruled.

— Wyndham Newton

* In the *People's Daily* of 23rd October 1956, the opening sentence of his article on the history of Chinese Philosophy is referred to thus: "The history of philosophy is the history of the struggle between Materialism and Idealism". Fung Yu-lan was reported in August 1955 to have declared that the whole duty of a philosopher is to expound Marxism and Leninism. He wrote in the *People's Daily* of 7th May 1956 as follows: "In the classic Chinese philosophical works, the materialist trend should be put in relief and all idealism must be rejected. The most important task is to determine which trends in the thought of the past belong to which camp and what class interest they serve, and whether they are fundamentally materialistic or idealistic. . . . I believe that under the leadership of the Chinese Communist Party and of Chairman Mao and under the guidance of Marxism-Leninism, we shall be able to bring this scheme to fulfilment in the not too distant future."

duce a six-thousand word paper on some topic dealt with in the lectures, usually, so I was told, on "some aspect of Marxism", and during their fourth year they must write a ten-thousand word thesis which is taken into account at the final examination.

The Ministry of Education has stipulated that examinations are to be given orally as far as possible; this is because (according to the Dean of the People's University of Peking) "experience of foreign countries has shown it to be by far the better system". The actual examination procedure is as follows: four or five candidates are called before their teachers and from a number of questions lying on the table they each select one to which, during about half an hour, they prepare an answer; and after which they give an address to the examiners lasting from half to three-quarters of an hour. The Deans of The People's University, Peking University, The Normal University, and Wuhan University all claim ninety-eight per cent passes per year. Failures are allowed to sit for a supplementary examination or to "carry" one subject. Degrees are shortly to be introduced for the first time.

There are thirty (from among the two hundred post-graduate students in Peking University) doing research in the philosophy department. Most of them are engaged on a special topic concerned with Dialectical Materialism, though "an increasing number" are studying western philosophers especially Russell, and the works of Confucius, Mencius and Lao Tse. A Pedagogic Research Room exists for what is referred to as "the mobilisation and organisation of the staff", an aim which seems to be exemplified in mutual criticism of teaching methods, changing syllabuses in accordance with directives from the Ministry, and training assistant lecturers to give the professors' courses.

Professors are expected to occupy themselves with much extra-curricular work. Fung Yu-lan, for instance, is a representative of the Hupeh provincial congress and of the Peking municipal congress. His duties had taken him on a routine fact-finding tour of his province during the first part of my visit to Peking. In addition, every university teacher is enjoined by the Minister of Higher Education—Yang Hsin-feng—to study the theoretical background of the "Liberation", which implies attendance at courses given by the Ministry.

At Peking University, ideological courses for the students are the responsibility of the philosophy department itself, and are compulsory. They are given in the form of mass lectures under the headings of Basic Marxist-Leninism (first year), The History of the Chinese Revolution, 1911-1955 (second year), Dialectical Materialism (third year) and Political Economy (final year). The topic for the new fifth year has not yet been selected. My impression was that the ideological courses are not as influential as party leaders would like them to be. I saw an overflow of students at Wuhan listening to a mass lecture relayed from the hall through loud-speakers. They were walking about, reading newspapers, talking, or sleeping. Nobody was taking notes. A Professor of Agriculture appeared vague about and uninterested in the content of the last ideological lecture he had attended, in contrast to his informed and keen interest in bio-physics. A Vertebrate Palaeontologist who talked informally, informatively and enthusiastically about the fossils at the site of the Peking Man seemed to be at a loss when asked how his classes on Dialectical Materialism helped his work. At Wuhan I noticed symptoms of what I took to be indignation among Professors at being compelled to attend the Dean's Office course on Political Economy. As to the cause of this more

or less benevolent apathy, if such it is, I received the impression from discussions with interpreters that there is a widespread assumption that proper understanding of ideology can be safely left to members of the communist party. In the editorial to the April, 1955 edition of the Peking periodical *Learning*, it is emphasised that "party workers should be fully alive to current philosophical issues". An article in the same number describes the People's University Evening School for Marxism and Leninism at which, during the session 1954-55, 1514 party-workers attended two, two-hour classes per week. The irresistible parallel in this respect (as indeed in many others) is that of a priesthood. To be elected a member of the Communist Party implies qualifications not only of theoretical knowledge but of unselfishness, diligence, fidelity, sacrifice of comfort, and reverence to Chairman Mao Tse-tung: Failure to live up to them leads at first to severe criticism and then to expulsion from the party.

The provision of text-books for the ideological courses is regarded as a very urgent problem: it has priority in the Philosophy and Social Sciences research section of the Academia Sinica, one member of whom, Professor Hou Wei, told me that he hoped soon to see accepted his text-book on the History of the Chinese Revolution. An attempt by the Chancellor of Shantung University to provide an outline of Dialectical and Historical Materialism for use in ideological teaching was badly reviewed by the *People's Daily*—a fatal condemnation, so I gathered. Pending universally acceptable text-books, the scope of the four courses remain, within the limits set by the Ministry of Higher Education, the philosophy professors' personal responsibility. At Wuhan University, however, they are given "directly from the Dean's Office".

It is claimed that no graduate in philosophy from Peking University has, as yet, experienced any difficulty in finding employment. It appears that the demand for assistant lecturers in the university itself, for middle-school teachers, and for writer-organisers for the official organ of popular theoretical exposition—the *People's Daily*—is still greater than the supply.

The university produces a "Humanities Journal" which is regarded as one of three authoritative voices of correct philosophical opinion, the other two being the *People's Daily* and the *Philosophical Researches* of the Academia Sinica.

Apart from the projected department at Wuhan, no other university offers philosophy. The Normal University in Peking has a department of educational psychology but is not yet properly organised for teaching purposes: its library contained about two hundred volumes of pre-1939 British and American psychology. The People's University specialises in political teaching; its library contained several English classics.

Organised teaching of what is officially called "Philosophy" is also conducted at the People's University Evening School according to the April, 1955 edition of the Peking periodical *Learning*, but it gives no information as to the content of the courses. At the Central Institute for National Minorities, I happened to notice Kant's *Critique of Pure Reason* and Hegel's *Philosophy of Right* in their English translations placed among many Russian acquisitions: here incidentally was shelved the first volume of Fung Yu-lan's *History of Chinese Philosophy* in its English translation. A magnificent pre-1949 library of European philosophy in English was collecting dust at Wuhan University: all post-war additions were in Russian. Nowhere, not even at the Academia Sinica, was any interest shown in contemporary western philosophy.

Membership of the Communist Party is a pre-requisite for election to the Academia Sinica which was formed out of scattered research units in June 1955. The Academy's total membership is only two hundred and thirty-three. The Philosophy and Social Sciences section is one of four. (The other three are Technical Science; Biology and Physical Geography; and Physics, Mathematics and Chemistry). The Deputy Director of the Philosophy and Social Sciences section, Professor P'an Tzu-nien, is also Director of the newly formed Research Institute in Peking. In the Scientific Journal of July 1955, he claimed that the number of research workers in the section was too small, but, in December 1955, he told me that seven similar research institutes are to be set up in different towns and cities. He is himself a formal logician, but his main task was to "mobilise and organise" the provision of text-books, the translation of Marx, Engels, Lenin, and Stalin into Chinese, and the re-editing of post-1919 Chinese history—all required for the training of the Kanpu (party-workers). By August 26, 1956, according to the *Ta Kung Daily, Tientsin*, 279 books had been published by the Academy, of which 271 were Russian.

A report published in *Historical Research* (No. 4, August 1955) announced that the philosophers in the Academy were to delve into Dialectical Materialism with special emphasis on Epistemology and all the theoretical questions bearing on Marxist education. The same report exhorts philosophers "to carefully examine and sharply criticise" those modern European and American books which "have been responsible for the intrusion of 'Idealism' into Chinese philosophy, history, economics and literature". Whilst its president is Kuo Mo-jo, the Minister of Culture, the Academy is not wholly an academic institution. It is linked to the Five-Year Plan of 1953 and under its guidance come 2,400 associate members from factories and other economic organisations.

Philosophical Researches, its official philosophical journal, has now been published for two years: so far the dominant theme therein has been a highly-charged criticism of pragmatism especially in the form given it by Hu Shih and Liang Shu-ming, whose books were formerly very popular in China (the latter's *East and West Cultures and their Philosophies* ran to eight editions: in December 1954, Liang, at a meeting of the Chinese People's Political Consultative Conference, expressed sorrow that his mind "was full of old ideas still"). Typical titles literally translated are: *Pragmatism, the great rottenness and reactionariness of subjective idealism* (by Ma T'e); *A materialist critique of Hu Shih's reactionary theory of knowledge and existence* (by Sun Ting-kuo); *On our position and method with regard to our philosophical*

heritage: Hu Shih's obliteration and calumny of the history of our philosophy; and *The whole country begins the criticism of capitalist idealism and propaganda on the Marxist-idealist struggle*. Carnap's Physicalist theory is attacked (by Hung Chien); Sung philosophers are the subject of a dialectical attack (by Chang Tai-nien and Chang Heng-chu); and there is a highly laudatory article on Mao Tse-tung's *On Contradiction* (by Li Ta). In the November 1956 issue there are nineteen short articles on the topic of greater freedom of thought, picturesquely named "The Hundred Flowers and Hundred Schools", resulting from de-Stalinisation. (The Hundred Flowers and Hundred Schools flourished in the Spring and Autumn and Warring States Periods 2,000 years ago, and were characterised by their wide divergencies of belief and controversial interchange). Tang Ch'u-min states in his contribution that the Hundred Schools will be entirely under the management of a single school because there is only one truth—Dialectical Materialism. In another article, Ho Lin (a former Hegelian) and Ch'en Hsin-chai claim that freedom of speech is now being given to idealists in order to avert staleness among young students who hear theory only in classes on Marxism: "It will be educative for them to see the victory of Marxism in actual life". They add that it is prudent to let idealism appear in the open, and since there is always an element of truth in every school of philosophy, in Hegelianism for example, their study may be of some value. The article ends by citing the examples of Fung Yu-lan and Chu Kuang-ch'ien, who were reported in the *People's Daily* of 7th July 1956 and 14th August 1956 to have repudiated their early idealist works and thoughts. There is no reference to post-war British or American writing; nor were there any foreign journals to be found in the headquarters of the Academia Sinica building in Peking.

* * *

These are the facts about the teaching and research that goes on in China under the head of "Philosophy", so far as I have been able to gather them, chiefly from a three week's visit at the end of 1955. The shortness of the period and translation difficulties make it hazardous to venture opinions, yet it is difficult to resist the impression that there is very little teaching or research that would be recognised in the west as Philosophy proper to be found in China to-day. I failed to find any evidence of independent thinking, objective criticism and unemotional presentation. The ideological courses and even the more academic courses in Peking University seem to me to be more aptly entitled 'propaganda'; this, however, would not be regarded, I think, as an objection in Peking, but rather as a quibble about the meaning of the word 'philosophy', the distinction has been obliterated.

RECENT DEVELOPMENTS IN JAPAN'S ECONOMY

Japanese economy continues in prosperity and ever expanding. When the recent business trend is observed in respect to major economic indicators, the conclusions are as follows: (1) **Export**—Total export for the year 1956 reached \$2,400-million, exceeding the record of the previous year by 23 per cent. Recently, it is moving forward on an estimated level of \$2,600-million, for the year. Furthermore, the Government has set the goal of the 1957-58 fiscal year (April, 1957 to March, 1958) at \$2,800-million. (2) **Production**—The industrial production index for the year 1956 (1950 = 100) reached the level of 248.0. This is a large upswing surpassing the previous year's figure by 21.3 per cent. Its rate of increase is nearly double the 11.0

per cent for 1954 and 11.4 per cent for 1955. Such up-trend of production is still continuing with the onset of 1957, most recently maintaining a level of 22 to 24 per cent above that for the previous year. According to Government forecasts, it is anticipated that the production level for 1957-58 fiscal year will rise 12.5 per cent compared with the previous year.

(3) **Plant Investment**—Investment in plants and equipment became more active since the second half of last year, becoming the most potent prosperity-supporting factor. The aggregate orders for machinery accepted during last year registered a sharp increase which was 87.6 per cent above the previous year's level. Construction investment

is also very animated, the total building area on which construction was started last year being 20.7 per cent above the previous year. There is strong probability that plant investment will continue actively in the future; the 1957-58 fiscal year's plant investment total for principal enterprises in Japan is forecast to increase around 27 per cent compared with that of the preceding year. (4) **Inventory Investment**—Parallel with investment in plants and equipment, inventory investment is also intensively under way. According to Government estimates, it is presumed that inventory investment for the 1956-57 fiscal year has increased 52.8 per cent above that for the previous year. Also when inventory level is considered, raw material stocks in January, 1957, were 36.2 per cent and imported raw material stocks were 45.6 per cent above that of the corresponding previous month. As regards the future outlook, the Government is adhering to the view that inventory investment will dwindle in the future because the inventory level is already fairly high, but negative opinion is stronger in general private quarters.

(5) **Consumption**—According to Government announcements, it is presumed that national income during 1956-57 fiscal year was 12 per cent higher than that for the previous fiscal period. As a result, consumption has also continued steadily along the upward course since last year. The national total of department store sales for last year was up 17 per cent compared with the previous 12 months, the national consumption level also climbing 6.3 per cent above the previous year's mark. But the ratio of consumption to income, that is propensity to spend, on the contrary has fallen below that of the previous year. As to future prospects, it is predicted that the future upswing of consumption is certain because the income level will continue to climb due to the wage hike for civil service workers and the "base-up" for private industry employees in addition to the large-scale tax reduction instituted in April, this year. (6) **Employment**—Reflecting the above-mentioned increasing economic activity, the employment situation has improved considerably in recent months. Government announcements say that the jobless total which was as high as 1,060,000 in March 1956, gradually declined thereafter, falling to 560,000 in December. Attention is being called recently to skilled labour and technician shortage.

Japan's business is active and prosperous. Still greater development is forecast for the future.

However, some vulnerable points have risen to the surface recently because the economy has been expanding at excessive speed since the year before last.

(1) As a result of the very animated economic activity, the shortage of supply capacity has become marked since the fall of last year in the basic industrial categories such as iron and steel, electric power and transportation. Such bottlenecks in production expansion have recently developed in other categories, and coal, machine production capacity, shortage of skilled labour and technicians and the tightness of the basic tempo of financing are the focus of attention as new obstructions to production. Opinions are divided as regards the effect such production bottlenecks may have on future economic trend. One fears the development of inflation, and others are of the opinion which cautions against the coming of a deflation tendency on this occasion.

Of course, it is rather difficult at the present stage to adjudge which of the two views is correct. In either case, such bottlenecks operating as considerable checks upon the future development of Japanese economy seem difficult to avoid.

(2) **Commodity Price Upswing And Worsening Japan-World Price Parity**: Commodity prices in Japan have continued to maintain a high level since the beginning of the year. In other words, the Government-announced wholesale price index (June 24, 1950=100) showed a steep increase of 9.5 per cent during last year. With the onset of 1957, it continued along a gradual upward course, again reaching the highest postwar level of 174.6 on March 16.

According to categories of commodities, prices of all items have moved up uniformly with the exception of the drop in metal categories due to the weakness of overseas market tone and textiles whose over-production trend is already coming to the surface. The shift is fairly large when it is compared with the price rise during last year, which was mainly led by the upswing of metal item prices centring around iron and steel. As a result, the Japan-world price parity has been worsening recently and its evil influence upon future export is now the centre of concern.

(3) **Import Upswing And Worsening International Balance Of Payments**: Government announcements indicate that the balance of international payments for the entire year of 1956 showed a payment excess of \$68-million (it was \$106-million on the receipt excess column in the previous year) due to conspicuous import upswing totalling \$2,470-million or 33.7 per cent above that of the previous year. Such trend for the worse of the balance of international payments became all the more marked since the beginning of the year. As a consequence, foreign currency holdings which reached \$1,430-million at the end of last year, fell rapidly to \$1,210-million in only three months.

The rapid climb of raw material import accompanying the animation of productive activity can be pointed out as the reason for such recent marked upswing of import. There is a strong probability that import will continue along the upward course because the Government has adopted the policy of checking the rise of commodity prices through promotion of import. Furthermore, the up-trend of import is at last exhibiting a tendency toward dullness, on the other hand. It is thought that considerable efforts would be required to fulfil the Government's import goal previously mentioned.

Thus it is forecast that the further worsening of Japan's balance of international payments cannot be avoided. Views predicting a crisis in the balance of international payments are becoming increasingly weighty.

(4) **Tightness Of Basic Financial Trend**: The basic financial tone shifted toward the tightening trend since the second half of last year. With the onset of 1957, it became more stringent by another degree. Following reasons can be listed for this: (1) concentration of tax payments during January to March, the tax collection period; (2) enormous in-flow of funds to the foreign exchange account due to the rapid upswing of import; and (3) industrial circles' demand for funds is growing more vigorous reflecting the animation of plant facilities investment and inventory investment. As a result, city banks' borrowings from the Bank of Japan have increased steeply from the beginning of the year. This has led to the strengthening of the upward trend of the open market money rate and the absorption of various debentures has become fairly difficult.

Moreover, the Bank of Japan on March 20 raised the official bank rate 0.365 per cent per annum. It has been explained that the objective is to rectify the money rate system, which had been deranged by the tightness of the money market, and with that as a momentum to launch a legitimate and flexible money rate policy.

As observed in the previous paragraphs, there are various difficult problems obstructing the future path of Japanese economy. Consequently, active discussions have recently been developing in various circles about future business prospects. However, viewpoints are fairly divergent according to their respective standpoints. It is difficult to find a consensus of opinion. But as long as various problems as outlined above have already come to the fore, it is certain that the stage has been reached wherein the

continued development of Japanese economy along a smooth path as hitherto is difficult. Consequently—though some circles continue to describe the present business prosperity as “the best boom since the foundation of the nation”—one must conclude that the prosperous business weather has already ushered in a stage requiring caution. In this sense, the Bank of Japan’s official money rate increase should be interpreted as a “caution signal” raised along the future path of Japanese economy.

JAPANESE TRADE AND INDUSTRY STATISTICS

I. FOREIGN TRADE & FOREIGN EXCHANGE

(1) Indices for value and Quantum of Foreign Trade
(Monthly averages or calendar months)

					(1953=100)		
		Value	Exports	Quantum	Value	Imports	Quantum
		Index	Unit Value	Index	Index	Unit Value	Index
		(A)	(B)	(A/B)	(A)	(B)	(A/B)
1955	.....	157.8	90.6	174.1	102.8	94.4	108.9
1956	.....	196.2	94.1	211.5	133.8	96.7	137.3
1956	Dec.	256.6	96.4	265.3	158.7	101.2	156.8

Note: The value index based on export value (F.O.B.) and import value (C.I.F.) in dollars.

(2) Foreign Exchange Receipts and Payments
(Annual totals)

								(U.S.\$ 1,000)
		Visible Exports	Invisible Exports, Donations & Capital Transactions	Total	Visible Imports	Payments Invisible Imports, Donations & Capital Transactions	Total	Excess of Receipts or Payments (*)
1951	.....	1,297,324	943,256	2,240,580	1,725,110	184,167	1,909,277	331,303
1952	.....	1,289,185	949,941	2,239,127	1,718,361	206,453	1,924,815	314,312
1953	.....	1,156,399	963,638	2,120,037	2,100,998	212,718	2,313,716	* 193,679
1954	.....	1,532,478	776,786	2,309,264	1,961,680	247,616	2,209,296	99,967
1955	.....	1,954,169	713,475	2,669,645	1,848,224	325,622	2,173,846	493,798
1956	.....	2,402,241	822,521	3,224,763	2,470,199	461,229	2,931,429	293,334

(3) Exports and Imports of Principal Commodities
(Annual totals)

										(Y 1-Million)
		(a) Exports								
		Foods & Beverages	Textiles	Chemicals	Non-metallic Mineral Manufactures	Metals	Machinery	Miscellaneous	Total	
1952	.....	35,786	150,310	14,354	20,701	122,634	39,636	74,822	458,243	
1953	.....	47,302	165,721	22,417	20,792	67,148	67,936	67,627	458,943	
1954	.....	48,481	236,515	28,404	24,915	89,939	72,825	85,446	586,525	
1955	.....	49,007	269,786	33,751	30,625	138,942	88,835	112,870	723,816	
1956	.....	64,776	313,551	38,381	41,215	123,380	174,109	145,830	900,287	
		(b) Imports								
		Foods & Beverages	Textile Materials	Metal Ores & Non-metallic Minerals	Mineral Fuels	Chemicals	Machinery	Miscellaneous	Total	
1952	.....	222,384	220,170	78,032	84,304	15,932	32,569	76,961	730,352	
1953	.....	225,014	245,759	87,292	103,973	24,900	57,867	122,664	867,469	
1954	.....	235,363	229,844	81,155	96,246	33,458	63,747	123,972	863,785	
1955	.....	224,992	216,669	92,234	104,040	40,482	47,665	163,633	889,715	
1956	.....	200,995	287,382	198,835	148,553	58,815	58,022	211,094	1,162,728	

(4) Exports and Imports by Trading Area

(Annual totals)

(Source: Customs Division, Ministry of Finance)

(U.S.\$ 1,000)

	Exports				Imports				Excess Imports (*) or Exports
	Total	Dollar Area	Sterling Area	Open Account Area	Total	Dollar Area	Sterling Area	Open Account Area	
1952	1,272,915	396,997	539,668	336,250	2,028,193	1,221,676	501,604	304,912	* 755,278
1953	1,274,843	490,099	317,502	467,242	2,409,647	1,304,783	602,761	502,092	* 1,134,805
1954	1,629,236	560,922	492,758	575,556	2,399,404	1,411,067	433,185	554,923	* 770,168
1955	2,010,600	816,440	649,081	545,050	2,471,430	1,332,027	599,514	539,773	* 460,330
1956	2,500,636	1,095,272	906,457	498,897	3,229,734	1,725,151	1,057,476	447,020	* 729,098

(5) Gold and Foreign Exchange Holdings

(End of period)

(Source: Ministry of Finance)

(U.S.\$ 1-Million)

	The Bank of Japan			Government				Foreign Exchange Banks	Total
	Gold	Foreign Exchange	Gold	Total	U.S. Dollars	Pound Sterling	Open Accounts	Foreign Exchange	Gold & Foreign Exch.
1952	—	50	16	1,035	664	249	122	64	1,165
1953	—	51	18	826	679	78	69	122	1,017
1954	—	51	21	950	564	194	192	103	1,125
1955	—	514	23	801	334	223	245	132	1,470
1956	—	497	23	987	629	91	267	139	1,646

II. INDUSTRIAL PRODUCTION

(1) Indices of Manufactures Production

(Monthly averages)

(Source: Economic Planning Board)

(1934—36=100)

	Total	Ceramics	Metals	Machinery	Foods	Textiles	Chemicals	Rubber & Leather
1951	115.1	136.6	144.0	197.1	104.7	58.0	140.7	129.4
1952	128.2	138.2	154.2	205.1	114.6	66.2	168.5	131.6
1953	159.7	156.0	183.5	266.5	161.7	76.5	216.6	172.1
1954	173.8	175.3	192.3	257.4	191.8	81.9	267.2	170.8
1955	189.4	174.8	218.7	249.7	206.7	85.9	318.4	177.5
1956	231.1	214.3	265.6	397.3	219.3	99.9	365.6	215.4

(2) Production of Selected Articles

(Monthly averages)

(Source: Ministry of International Trade and Industry)

Unit	Electric power generation Mil. K.W.H.	Coal	Pig Iron	Ordinary Steel	Copper Electrolytic	Cement	Ammonium Sulphate
				1,000 M.T.			
1951	4,005	3,875	261	347	7.6	546	140
1952	4,331	3,646	290	386	7.9	593	163
1953	4,787	3,628	377	432	7.6	731	169
1954	5,005	3,618	384	446	8.9	890	182
1955	5,433	3,626	435	556	9.4	880	187
1956	6,100	4,000	499	649	10.5	1,085	204

Unit	Cotton Yarns Mil. Lbs.	Rayon Filament	Silk Yarns 1,000 Lbs.	Cotton Fabrics Mil. Sq. Yds.	Synthetic Fibre Fabrics 1,000 Sq. Yds.	Woollen Fabrics	Spinning Machine Set
1951	61.9	11.5	384	181.6	67,719	9,589	6,044
1952	64.9	11.8	395	186.6	80,507	13,064	3,123
1953	76.1	13.6	374	234.2	91,801	13,966	3,249
1954	85.3	15.4	318	265.3	111,852	12,836	3,754
1955	76.9	16.3	366	251.5	144,547	15,468	3,036
1956	90.6	18.9	381	290.0	178,432	18,365	3,987

PORTS AND SHIPPING OF MALAYA AND SINGAPORE

Singapore Port:

The Port of Singapore is the largest in South-East Asia and second only to London in the Commonwealth. The Port includes Keppel Harbour (the wharves and godowns of which are controlled by the Singapore Harbour Board), the oil installations of Pulau Bukom and Pulau Sebarak (respectively controlled by the Shell Company and the Standard Vacuum Oil Co.), the Western Anchorage, the Eastern Roads and the Singapore, Rochore, and Kallang Rivers as far as they are navigable. Shipping throughout the port is controlled on behalf of Government by the Master Attendant as head of the Marine Department who is also responsible for the navigational aids in the port and its approaches, all signal stations, the registry of shipping, the engagement and discharge of seamen and examination of masters and mates.

41 major shipping lines use its services, linking it with every part of the world. In 1955, 13,414 ships of 36 nationalities with a net tonnage of 49,405,998 tons were over 75 tons and engaged in foreign-going trade. The largest ship to enter the Port was the "Sinclair Petrolere" (Liberian) of 35,348 tons gross, and the deepest laden ship was the American vessel "New Jersey Inn" drawing 34 feet.

3,234 vessels are registered or licensed in Singapore, the largest being 8,555 tons gross.

The Singapore Harbour Board was established in 1915 under Ports Ordinance (1913). The Members of the Board are appointed by the Governor and it consists of a Chairman who is also General Manager, a Deputy Chairman, and Representatives of Government, and of the shipping and merchant communities. Its premises cover 917 acres, with over 2½ miles of wharves, and 40 acres of covered storage space. There are approximately 10,000 employees, all directly employed. As at 30th June, 1955 the Balance Sheet showed assets amounting to some \$143 million. The undertaking is administered on a self-supporting and non-profit making basis. Certain controls over the Board's working are exercised by the Government in matters affecting the community as a whole but the Board is responsible for the satisfactory administration and financial solvency of its undertaking. The Harbour Board increasingly provides mechanical aids for cargo handling, and this has greatly accelerated the turnaround of ships and reduced damage to cargo. Schemes are being developed for the further expansion of the Harbour Board area.

The Harbour Board has its own Police Force, which now numbers 338, to enforce its By-laws and to prevent pilfering. It works in close association with the Colony's Police Force. It maintains a well equipped firebrigade. 501 Board's employees form the Singapore Harbour Board Reserve, a volunteer military force raised by Government to assist the working of the port in times of emergency.

Many firms are engaged in stevedoring and chandling. Coal bunkering is carried out by the Malayan Coaling Agency. The principal oil bunkering depots are on the small islands of Pulau Bukom and Pulau Sebarak, in addition to which there are special oil bunkering craft for the needs of vessels in the various anchorages. Fresh water is supplied by the Singapore Harbour Board at their wharves, and by the water boats of W. Hammer & Co., Ltd. in other parts of the Port.

For the year ending 30th June, 1955, 4,031 vessels berthed alongside the Board's wharves, their aggregate nett registered tonnage being 11,490,008 tons.

Taking 1949 as the base year this aggregate nett registered tonnage of vessels shows an increase of 64.61% in 1955.

During the same period the Board handled 5,458,690 tons of cargo, 2,927,003 tons inward and 2,531,687 tons outward.

Mechanical means of handling cargo are increasingly used. 207 mechanical aids are now in use.

Extensions to two existing Latex Bulking Installations and the construction of two new installations were put in hand during 1955.

Penang:

The total tonnage handled in the port during 1955 was 2,085,000 tons compared with 1,884,000 tons in 1954 and 1,751,000 tons in 1953. Of the 1955 total, 1,319,000 tons were in ocean-going ships, 6,075 vessels entered the port compared with 2,334 in 1954, and 2,142 in 1953.

Transshipment cargo totalled 275,000 tons. Tankers discharged 258,000 tons of oil in bulk, an increase of 21,000 tons over the previous year.

Value of total trade at the port in 1955 was \$1,310 million as against \$1,009 million in 1954. Imports were \$493 million and exports \$817 million.

Imports included 90,000 tons of rice, 73,000 tons of cement and 53,000 tons of sugar. Exports included 206,000 tons of rubber, 38,000 tons of tin and 45,000 tons of coconut oil.

Port Swettenham:

Port Swettenham, which is operated by the Malayan Railway, is the natural channel for the produce and the imported requirements of the central States of the peninsula, and has steadily become more and more of importance in the post war years.

It has direct rail connection with Kuala Lumpur (27 miles) and all stations of the Malayan Railway system including Singapore, Prai, Padang Besar on the Thailand border, and stations in Pahang and Kelantan via Gemas. It is connected by road with Kuala Lumpur and the main road system of Malaya.

The wharf accommodation at Port Swettenham consists of a 2 berth "ocean" wharf 1010-ft. long, a "coastal" wharf 600-ft. long, a "lighter" wharf 334-ft. long and 3 "pontoon" wharves for the lightering of rubber each carrying a permanent conveyor for loading rubber direct from the shed to the lighter. The Railway owned godown accommodation in use totalled 280,552 sq. ft., whilst the privately owned accommodation totalled 173,167 sq. ft. at the end of October 1955. In addition a large area served by three gantry cranes was maintained as an open stacking area. There are four bulk latex and one palm oil installations in the port.

From January to September 1955 (9 months) 820,881 tons of cargo were handled. On the average 114 ships arrived and departed each month.

Other Railway Operated Ports:

Until September, 1955 (9 months) Prai Wharf handled 318,955 tons of cargo. Port Weld 3,641, Teluk Anson Wharf 34,364 and Port Dickson 4,723.

Ship-Building and Repair:

The largest shipbuilding and repair organisation in the Colony is H.M. Dockyard at Seletar. This employs some

AIR SERVICES OF MALAYA AND SINGAPORE

The new Singapore Airport, seven and a half miles from the City centre, was opened by the Secretary of State for the Colonies, Mr. Allan Lennox-Boyd on the 20th August, 1955. The Airport, one of the largest in South-East Asia, was designed and built in complete conformity with the standards and recommended practice of the International Civil Aviation Organization. It is at present served by a single runway 8,000 feet in length which can, if necessary, be extended to some 10,000 feet. The runway is in line with the direction of the prevailing winds (which are north-easterly and southwesterly at different seasons of the year), and is equipped with a completely up-to-date approach and runway lighting system.

The interim terminal building has been incorporated temporarily in the hangar block. It houses the airline offices, passenger handling facilities, customs, health, and immigration services, the Airport Hotel, and the Department of Civil Aviation offices. A permanent terminal building is to be constructed and is scheduled for completion in 1958.

8,500 men. Of the Civilian undertakings, the Singapore Harbour Board's Dockyard is by far the largest and has very complete workshops. Dockyard facilities were extended further this year. The largest of the Board's five graving docks can take ships up to 850 feet in length and 45,000 gross tonnage. A sixth dry-dock known as The Queen's Dock will be completed this year and will be completed this year and will be capable of accommodating tankers up to 26,000 DWT or dry-cargo vessels of 21,000 GRT. Fully equipped fitting-out facilities are also included. The Board maintains five slip and launching ways for repair work and new building.

For the year ending 30th June, 1955, 423 vessels of a total tonnage of 1,211,478 were docked for repairs and painting.

26 private firms with 6 slip-ways capable of taking vessels of 100 to 500 gross tons and with many small slip-ways are engaged in building large craft and routine repairs and maintenance to over 1,000 launches and junks.

Coastal Shipping:

The principal fleets which at present maintain the Malayan coastal trades are those of the Straits Steamship Company and the Malayan Stevedoring and Transportation Company (the latter referred to for brevity as MST). The Straits Steamship Company, a public company founded in 1890 and brought under the management of Mansfield & Co., Ltd., in 1922, is the premier line, which, in addition to Malayan coastal services, also operates, in its own name or through subsidiaries, lines to Burma, Indonesia, Siam and Indochina, as well as to Sarawak and North Borneo.

The present Straits Steamship fleet consists of 56 vessels amounting to over 42,987 g.r.t. or 35,000 tons carrying capacity, of which only a part at any one time is employed on the Malayan coast.

The Malayan Stevedoring and Transportation Company started operations here in 1948. Its large fleet of lighters and tugs is used partly in harbour work, partly in coastal services, especially on the west coast of Malaya, and also between Malaya and Indonesia. The company now accepts little overseas business, but still carries coal to Malaya from Palembang.

In 1955, 82,211 passengers and 1,186 tons of freight were set down; 77,737 passengers and 3,986 tons of freight were picked up.

Airlines

(i) Internal.

MALAYAN AIRWAYS LIMITED operate frequent daily domestic flights to all important points in the Federation of Malaya using "Dakotas." The service has maintained an excellent record for safety and punctuality and is popular. It is advisable for intending passengers to book in advance.

Passenger and freight rates from Singapore and journey times are as follows:—

	Passenger (Single fare) M\$	Tourist Single M\$	Freight (per kilo) (A) M\$ 25 cts.	Journey Time hours
Malacca	37.00	28.00		1.00
Kuala Lumpur	52.00	39.00	.30 cts.	1.30
Ipoh	80.00	60.00	.50 cts.	2.25
Taiping	85.00	64.00	.55 cts.	2.55
Penang	97.00	73.00	.60 cts.	2.30
Alor Star	113.00	85.00	.70 cts.	3.00
Kota Bahru	125.00	94.00	.75 cts.	2.30
Kuantan	90.00	68.00	.55 cts.	2.10

Malayan Airways Limited run daily services to and from Kuching and Sibul in Sarawak and Labuan and Jesselton in North Borneo. Two are tourist and the remainder first class. Two tourist and three first class services weekly to and from Sandakan are run and one tourist weekly to Kuching. All services are operated by Dakota aircraft. Free baggage allowance for passengers paying full or half fare making flights within Malaya, Sarawak and North Borneo is 15 kilos (33 lbs.) first class and 10 kilos (22 lbs.) tourist class; except when the through adult one way fare from point of origin to point of destination is \$125 or more when the free allowances are 30 kilos first class and 15 kilos tourist class. Passengers making a direct connection with an international flight of any airline may carry 30 kilos if paying first class fare and 20 kilos if paying tourist class fare. The airline also runs regular services from Singapore to Medan via Penang, Bangkok via Penang and Palembang direct.

An internal feeder service is also operated in North Borneo, using "D.H. Rapide" aircraft and connecting with the main "D.C. 3" services. Points served are Sandakan, Lahat Datu, Tawau, Kudat, Jesselton, Ranau, Keningau, Labuan, Brunei, Anduki, Lutong, Bintulu and Sibul. On this service free baggage allowance for passengers paying full or half fare is 10 kilos (22 lbs.). Passengers connecting with flights on which a higher allowance applies will be given a similar allowance on these services.

Federation Air Service

The service is operated by the Malayan Railway on behalf of the Federation Government to provide a link between the main towns of the Federation and some of the smaller townships. In all some 20 scheduled services are operated per week calling at 19 different places, and there are 40 airfields available for charter flights.

The aircraft used are Beavers which provide accommodation for six passengers. Passengers are allowed 8 kilos free luggage.

Where time is insufficient to make bookings, tickets may be purchased from the Captain of the aircraft at the time of embarkation if seats are available.

The Federation Air Service covers Kuala Lumpur, Bentong, Benta, Temerloh, Kuantan, Kemaman (Chukai), Dun-

gun, Kuala Trengganu, Kota Bharu (Kelantan), Kuala Krai, Ulu Bernam, Bidor, Jenderata, Sitiawan, Kampong Lambor, Ipoh, Labu Kubong, Grik, Kroh.

(ii) Overseas Connections

The nine Overseas Airlines operating in and out of Singapore are as follows:—

AIR INDIA INTERNATIONAL serving Singapore, Madras, Bombay, connecting services to Cairo, Rome, Dusseldorf, London and providing quick connection at Bombay for Aden and Nairobi. Also serving Paris, Geneva, Beirut, Karachi, Delhi, Calcutta, Bangkok, Hongkong, Tokyo, Zurich and Prague. Aircraft: Super Constellations and Constellations only.

BRITISH OVERSEAS AIRWAYS CORPORATION with Services from Singapore and Kuala Lumpur to Bangkok, Rangoon, Calcutta, New Delhi, Colombo, Bombay, Karachi, Bahrain, Basra, Baghdad, Beirut, Damascus, Cairo, (thence to East and South Africa), Rome, Zurich, Frankfurt, Dusseldorf, London (thence to Canada, the U.S.A. the Caribbean and West Africa) Hongkong, Tokyo, Djakarta, Darwin, Sydney. Aircraft: Argonauts, Britannias, Constellations, DC "Seven Seas", Hernes Freighters, and Stratocruisers.

Cathay Pacific Airways serving Hongkong, Saigon, Bangkok, Singapore, Manila, Labuan, Haiphong, Hongkong, Calcutta and Rangoon. Aircraft: D.C.6 Skymaster and D.C.4.

GARUDA INDONESIAN AIRWAYS serving Singapore, Medan, Palembang, Djakarta and Bangkok. Aircraft: Super Conqairs.

K.L.M.—ROYAL DUTCH AIRLINES serving Sydney, Djakarta, Singapore, Manila, Bangkok, Biak, Calcutta,

Karachi, Baghdad, Basra, Damascus, Rome, Cairo, Geneva, Zurich, Frankfurt, Dusseldorf, Munich, Amsterdam. Aircraft: Constellation—Super Constellation.

PAN AMERICAN WORLD AIRWAYS serving Singapore, Saigon, Manila, Hongkong, Tokyo, Honolulu, San Francisco, Los Angeles, Seattle and from Bangkok, to Rangoon, Calcutta, Karachi, New Delhi, Beirut, Rome, Paris and New York. Aircraft: Stratocruisers.

QANTAS EMPIRE AIRWAYS serving Djakarta, Darwin, Sydney, thence Vancouver via Fiji, Canton Island, San Francisco, Singapore, Bangkok, Calcutta, Colombo, Bombay, Karachi, Beirut, Cairo, Rome, Frankfurt, London, Cocos Islands, Perth, Mauritius, Johannesburg. Aircraft: Super Constellation, Constellation and Skymaster.

UNION OF BURMA AIRWAYS serving Singapore, Penang, Mergui, Rangoon, Calcutta, Chittagong, Bangkok, Mandalay, Bassein, Moulmein, Tavoy. Aircraft: D.C.3 and D.C.4 Skymaster.

THAI AIRWAYS serving Singapore, Bangkok, Rangoon, Calcutta, Tarah, Tokyo, Saigon, Songla, Penang. Aircraft: D.C.3 Dakota.

Singapore houses the Headquarters Secretariat for Traffic Conference No. 3 of the International Air Transport Association (I.A.T.A.) This area includes the whole of Asia, Australasia and the Islands of the South Pacific. I.A.T.A. is a voluntary Association of 68 scheduled international airlines, the combined operations of which account for more than 95% of the world's international air passenger and cargo traffic. Other I.A.T.A. Offices are situated in Montreal (Head Administrative Office), London (Clearing House), New York (Headquarters, Traffic Conference Area No. 1) and Paris (Headquarters, Traffic Conference Area No. 2).

THE MALAYAN RAILWAY

The Malayan Railway is owned by the Government of the Federation of Malaya, and has its headquarters in Kuala Lumpur. It originated as a group of State Railways which were unified about 1910 as the Federated Malay States Railways, which title it retained until the Japanese invasion.

The total route mileage is 1,027 miles. The main line runs from Singapore to Prai (opposite the island of Penang), via Kuala Lumpur, the Federal capital, and Ipoh. From Bukit Mertajam, seven miles south of Prai, a branch line runs to the Thailand frontier at Padang Besar. Facilities for the conveyance of passengers and goods to Kelantan via the East Coast line have been restored, and through accelerated services for passengers and freight are now running.

A twice weekly through service operates between Kuala Lumpur and Tumpat and Singapore and Tumpat. Night First Class Sleeping Coaches and Second Class day and night coaches leave Kuala Lumpur and Singapore on Saturday and Tuesday evenings. These coaches are attached at Gemas to the "SUMPITAN EMAS" (Golden Blowpipe). First Class passengers are transferred from Night First Class Sleeping coaches to a First Class coach at Kuala Lipis where porters are provided to handle all baggage.

In the reverse direction the "SUMPITAN EMAS" departs Tumpat on Monday and Thursday mornings. At Kuala Lipis First Class passengers are transferred from First Class coach to Night First Class Sleeping coaches destined to Kuala Lumpur and Singapore. First and Second Class through coaches arrive at Kuala Lumpur and Singapore on Tuesday and Friday mornings. Meals and refresh-

ments are available on the through trains. A ferry service runs between Palekbang and Kota Bharu.

Branch lines serve the Railway-operated ports at Port Swettenham, Port Dickson, Teluk Anson and Port Weld. The main port for central Malaya is Port Swettenham, about an hour's run from Kuala Lumpur.

There are regular day and night train services between Singapore-Kuala Lumpur and Prai where a ferry service links Penang. These trains are provided with air-conditioned buffet cars on the day run and air-conditioned and pressure-ventilated sleeping cars on the night run, equipped to a high standard. Up-to-date hotels adjoin the stations at Singapore, Kuala Lumpur and Ipoh.

Through International Express passenger train services are at present operating between Penang (Prai) and Bangkok, connecting Malaya and Thailand. These trains, composed of modern rolling stock including comfortable sleeping and buffet cars, run twice weekly, leaving Penang (Prai) for Bangkok on Mondays and Fridays and Bangkok for Penang on Saturdays and Wednesdays. They connect at Prai with the Malayan Railway trains to and from Singapore.

A separate First and Second Class Sleeping coach is attached to the night trains between Kuala Lumpur and Ipoh for the convenience of Ipoh passengers. Passengers for Ipoh may occupy their sleeping berths until the following morning. Passengers from Ipoh for Kuala Lumpur may join the sleeping coach at 8.00 p.m. Charges for sleeping accommodation are:—Single bed cabin in air-conditioned first class coach \$10.00 per cabin per night;

INDONESIAN ELECTIONS AND PARTIES

By A. Van Marle

In the 1954 registration for the Indonesian parliamentary elections eighty-three organizations and individuals were recorded as intending to participate. Of these more than half were individuals. Thirty-four groups and persons planned to try their chances in all electoral districts. On the other hand no less than forty-two others, parties of a local scope and (more often) individuals, were registered in only one electoral district, the district of Central Sumatra holding the record with thirteen individuals. By the time the party symbols were registered and the list numbers allotted several groups and persons previously registered had apparently already fallen by the wayside, and photographs would lead one to believe that the ballot itself provided a still more limited choice. The electoral district Greater Djakarta, for example, counted forty-five lists at the time of the 1954 registrations, and later forty-two list numbers were allotted, but photos of the ballot used there show no more than thirty-nine symbols.

On March 1, 1955, the Central Electoral Committee published the official results of the elections for parliament. Along with figures on the cost in lives (more than a hundred fifty election officials killed or disappeared) and money (nearly five hundred million rupiahs spent) it announced the returns given below.

A few notes on some of the lesser known parties may be in order before an analysis of these returns is made. IPKI (Ikatan Pendukung Kemerdekaan Indonesia) was established in 1955; it counts among its members a number of officers, and is considered to be akin to PNI (Partai Nasional Indonesia). The same is true of another new

grouping, GPPS (Gerakan Pembela Pantja Sila), which consists of a number of former PNI members (Gatot Mangkupradja, ex-minister Gani) and former non-party political figures (ex-minister Mohamad Yamin, B. M. Diah of the daily Merdeka). PRN (Parati Rakjat Nasional) owes its existence to an earlier split from PNI (1950). At the moment it itself is divided in two opposing factions, one led by ex-minister Djody Gondokusumo (represented in parliament), another by Bebasa Daeng Lalo. PRI (Partai Rakjat Indonesia) is the party of ex-minister Sutomo, better known as Bung Temo, who is one of its parliamentary representatives.

Partai Murba is the nationalist-communist party; though never affiliated with the Trotskyist Fourth International it and its founder Tan Malaka were and are looked upon with favor in that organization's publications. At one point in the preparations for the elections Partai Murba considered putting forward as one of its candidates the former PKI leader Semaun, long a resident of the USSR. Acoma (Angkatan Komunis Muda) is reputed to represent more or less the same political line as Partai Murba.

Baperki (Badan Permusjawaratan Kewarganegaraan Indonesia) was established in 1954 'to realise the Indonesian national ideal and to make every citizen a true patriot', i.e. to integrate the groups of citizens of foreign descent (especially the Chinese-Indonesians) into the national community and to assure the members of those groups the same rights as *asli* citizens during the transition period before integration is achieved.

President Sukarno, in an unconstitutional move, has imposed a non-parliamentary government on Indonesia, thus nullifying the first and only elections ever held in Indonesia. The political parties are with few exceptions opposed to the new dispensation which aims at dictatorial rule by Sukarno. The whole archipelago is in political turmoil since many regions, almost all islands outside Java, do not accept the authority of the central government in Djakarta which was appointed by Sukarno against the advice of most political parties. The solution to the dilemma in Indonesia is the return to parliamentary practices, the abdication of President Sukarno and his limitation to presidential and no other duties, and the appointment of Indonesia's leading and most respected statesman, Dr. Hatta, to the premiership. (Ed.)

Beds in a first class cabin, non-air-conditioned \$5.00 per bed per night; Beds in a second class coach \$2.50 per bed per night.

The distance and first and second class single fares between Singapore and the main centres are as follows:—

	Distance (Miles)	Fares	
		1st Class	2nd Class
Johore Bahru	16	\$ 2.40	\$ 1.20
Seremban	200	29.40	14.10
Kuala Lumpur	246	36.20	17.40
Ipo	376	55.30	28.60
Taiping	429	63.10	30.30
Penang	463	72.70	34.95

Special Second Class Holiday tickets by through day trains only between Singapore and Kuala Lumpur at a reduced fare of \$27.00 are available for return within seven days.

Party	Number of votes	%	Number of seats	Number of seats provisional parliament
PNI	8,434,653	22.3	57	42
Masjumi	7,903,886	20.9	57	44
NU	6,955,141	18.4	45	8
PKI	6,176,914	16.4	39	17
PSII	1,091,160	2.9	8	4
Parkindo	1,003,325	2.6	8	5
Partai Katolik ..	770,740	2.0	6	8
PSI	753,191	2.0	5	14
IPKI	541,306	1.4	4	—
Perti	483,014	1.3	4	1
PRN	242,125	0.6	2	13
Partai Buruh ..	224,167	0.6	2	6
GPPS	219,985	0.6	2	—
PRI	206,261	0.5	2	—
P3RI	200,419	0.5	2	—
Partai Murba ..	199,588	0.5	2	4
Baperki	178,887	0.5	1	—
PIR - Wongsone- goro	178,481	0.5	1	3
Gerinda	154,792	0.4	1	—
Permai	149,287	0.4	1	—
Persatuan Dayak	146,054	0.4	1	—
PIR-Hazairin ..	114,644	0.3	1	18
PPTI	85,131	0.2	1	—
AKUI	81,454	0.2	1	—
Partai Rakjat Desa	77,919	0.2	1	—
PRIM	72,523	0.2	1	—
Acoma	64,514	0.2	1	—
R. Sudjono	53,305	0.1	1	—
Other parties ..	1,022,433	2.7	—	46
Total	37,785,299	100.0	257	233

Since parliament convened the members representing Permai (Persatuan Rakjat Marhaen Indonesia) have joined together with those of GPPS, PRN, Partai Murba, and Baperki to form a national-progressive group, with which Gerinda, Acoma, PIR-Wongsonegoro, and R. Sudjono also associated themselves. PRIM (Partai Republik Indonesia Merdeka), Partai Buruh, PRI, Partai Rakjat Desa, and IPKI have together formed the parliamentary group of the Up-holders of the Proclamation of Independence.

The split in PIR (Persatuan Indonesia Raya) in 1954, after the registration of parties for the elections had been closed, posed a special problem, but apparently a *modus vivendi* was found, for both factions of the party participated in the elections and are represented in parliament.

Of the three small Moslem parties, Perti (Persatuan Tarbijah Islamijah), PPTI (Partai Politik Tharikat Islam), and AKUI, the latter is closely allied with Masjumi (Mad-jelis Sjuro Muslimin Indonesia).

* * *

Before turning to consider the regional distribution of parliamentary seats a few comments may be made on the general picture. Among the parties participating in the elections in every district and not returned to parliament were Parindra (Partai Indonesia Raya; founded 1935, formerly seven seats) and SKI (Serikat Kerakjatan Indonesia; formerly four seats). Not taking part and therefore not returned were the Fraksi Progresip (ten seats) and Fraksi Demokrat (nine seats), groups in parliament not based on party organizations. Also not taking part were SOBSI (Sentral Organisasi Buruh Seluruh Indonesia; formerly two seats: its adherents are presumably now included among the communist voters), BTI (Barisan Tani Indonesia; two seats), and GTI (Gerakan Tani Indonesia; one seat).

Among the parties not represented in the provisional parliament which had put forward candidates in all districts and did not muster sufficient votes to obtain a single seat were: Partai Rakjat, Partai Wanita Rakjat, Partai Kebangsaan Indonesia (Parki, the very first of all parties to submit its candidates), Tani Makmur, Komite Pemilih Rakjat Seluruh Indonesia, Gerakan Banteng Republik Indonesia, Angkatan Baru Indonesia, and Sentral Komite Pemuda Negara.

Most striking for a country where individuals rather than parties are reputed to dominate political life is the lack of success of the personal lists (only one individual candidate won a seat) and the lists representing ethnic and other special interest groups (the two exceptions being the P3RI—Persatuan Pegawai Polisi Republik Indonesia, an organization of police personnel—and the Persatuan Dayak). Baperki succeeded in attracting the votes of no more than a third of the total electorate of Chinese descent. It has been argued that this was partly owing to the leftist views of the group's main candidates, but one can hardly consider that to be the only reason: it was precisely the Surabaya branch with its old, strong leftist antecedents which opposed Baperki's taking part in the elections with a list of its own. (If Baperki had been able to poll another eleven thousand votes it would have acquired a second seat).

For Catholic voters religious allegiance seems to have been the decisive factor. Only four years ago the Catholic Church claimed no more than 870,000 adherents of all ages in Indonesia. The more than three quarters of a million votes obtained by the Partai Katolik are therefore impressive. Protestants, on the other hand, apparently saw other possibilities of voting than Parkindo (Partai Keristen Indonesia) alone.

The frequently-advanced view that the unexpected strength of NU (Nahdatul Ulama) was the outgrowth of a desire to restore the situation of old seems rather less con-

vincing once it is realized that, as will be seen, the party's main strength came from the same regions where the PKI (Partai Komunis Indonesia) drew most support. A situation of political polarization would hardly be expected to have resulted in a concentration of anti-PKI votes for NU, whose policy has not been as outspokenly anti-communist as that of Masjumi.

The post-election position of PSI (Partai Sosialis Indonesia) as one of the smallest socialist parties in Southeast Asia is far from what was expected by its leaders, who had on various occasions predicted to foreign sympathizers that it would come out of the elections as one of Indonesia's major parties. At the same time the claim of the party that it represents the Indonesian intelligentsia has been somewhat weakened not only by the relatively large number of university graduates among the PNI representatives but also by the fact that thirty per cent of the PSI votes came from Bali, where of course neither Moslem nor Christian parties could obtain a foothold.

The drastic alteration in the strength of the various parliamentary groups has resulted in the fact that not more than a third of the members of the provisional parliament have been returned. This, combined with the fact that

the elected parliament has more seats than the provisional one had, has led to the situation that three quarters of the members of the new parliament have had no previous legislative experience on the national level.

In the provisional parliament it was not uncommon to assign the chairmanships of the various sections to representatives of minor parties. The new legislature, however, has not only elected a PNI member as its chairman, but has also chosen PNI representatives as heads of seven of its ten sections, so that the party now holds a dominant position in the parliamentary machinery.

Considered per electoral district, the distribution of seats in parliament among the various parties is as follows:

Party	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
PNI	14	19	11	1	2	—	3	1	—	—	1	1	—	1	3
Masjumi	7	6	13	2	4	6	6	1	2	—	1	5	1	1	2
NU	20	11	5	1	1	—	1	—	3	—	2	—	—	—	1
PKI	14	15	5	1	1	1	2	—	—	—	—	—	—	—	—
PSII	—	1	3	—	—	—	—	—	—	—	2	1	—	—	—
Parkindo	—	1	1	—	—	—	2	—	—	—	1	2	1	—	—
Partai Katolik	—	1	—	—	—	—	—	—	—	—	—	—	—	4	—
PSI	1	—	2	—	—	—	—	—	—	—	—	—	—	—	2
IPKI	—	1	3	—	—	—	—	—	—	—	—	—	—	—	—
Perti	—	—	—	—	3	1	—	—	—	—	—	—	—	—	—
PRN	—	1	1	—	—	—	—	—	—	—	—	—	—	—	—
Partai Buruh	1	1	—	—	—	—	—	—	—	—	—	—	—	—	—
GPSS	—	—	2	—	—	—	—	—	—	—	—	—	—	—	—
PRP	—	1	1	—	—	—	—	—	—	—	—	—	—	—	—
PRRI	—	1	1	—	—	—	—	—	—	—	—	—	—	—	—
Baperki	—	1	—	—	—	—	—	—	—	—	—	—	—	—	—
Partai Murba	—	1	1	—	—	—	—	—	—	—	—	—	—	—	—
PIR-Wongsonegoro	—	1	—	—	—	—	—	—	—	—	—	—	—	—	—
Gerinda	—	1	—	—	—	—	—	—	—	—	—	—	—	—	—
Permai	1	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Persatuan Dayak	—	—	—	—	—	—	1	—	—	—	—	—	—	—	—
PIR-Hazairin	—	—	—	—	—	—	—	—	—	—	—	—	—	1	—
PPTI	—	—	—	—	1	—	—	—	—	—	—	—	—	—	—
AKUI	1	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Partai Rakjat Desa	—	1	—	—	—	—	—	—	—	—	—	—	—	—	—
PRIM	—	1	—	—	—	—	—	—	—	—	—	—	—	—	—
Acoma	—	1	—	—	—	—	—	—	—	—	—	—	—	—	—
R. Sudjono	1	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	63	62	49	5	9	11	15	3	5	—	5	11	2	9	8

(A = East Java; B = Central Java; C = West Java; D = Greater Jakarta; E = South Sumatra; F = Central Sumatra; G = North Sumatra; H = West Kalimantan; I = South Kalimantan; J = East Kalimantan; K = North and Central Sulawesi; L = South and Southeast Sulawesi; M = Maluku; N = East Nusa Tenggara; O = West Nusa Tenggara)

From these figures it is immediately obvious that the Masjumi seats are more evenly distributed over the various electoral districts than are those of the other major parties. A new role, then, has been relegated to Masjumi: that of representing the unity of Indonesia.

PKI and to a lesser extent NU found their bases on Java: respectively almost five and a half million and six million of their votes were from there, as against four million for Masjumi and seven million for PNI. (The total number of votes cast on the island was around twenty-six and a half million).

It is perhaps of interest to compare the percentages obtained by the four major parties in the various districts:

Electoral District	PNI	Masjumi	NU	PKI
East Java	22.8	11.2	34.1	13.3
Central Java	33.5	10.0	19.7	28.8
West Java	12.2	26.9	9.8	11.0
Greater Jakarta	17.7	23.4	14.1	11.4
South Sumatra	14.6	43.0	7.9	12.1
Central Sumatra	2.7	50.8	4.6	5.8
North Sumatra	15.4	37.4	4.1	12.2
West Kalimantan	13.7	33.2	8.2	1.8
South Kalimantan	5.9	32.0	47.1	2.2
East Kalimantan	24.5	34.0	16.8	7.0
North and Central Sulawesi	13.5	25.0	2.9	4.4
South and Southeast Sulawesi	3.8	29.0	10.6	1.8
Maluku	10.1	38.1	?	2.5
West Nusa Tenggara	30.9	14.5	1.8	0.5
East Nusa Tenggara	12.8	22.8	9.0	5.8

From these figures it becomes quite clear the PNI, NU, and PKI found their chief support in East and Central Java, while Masjumi's comparative strength was much higher on Sumatra. Of the other Moslem parties, PSII was strong in South Sumatra (10.2%), North and Central Sulawesi (22.9%), and South and Southeast Sulawesi (9.6%), but a third of its votes came from West Java (5.7%). Perti's success was limited almost exclusively to Central Sumatra (22.4%, nearly three fourths of its total votes).

The Christian parties present interesting problems. It was only to be expected that Partai Katolik would have a strong following in East Nusa Tenggara (33.8%) with its Catholic strongholds of Flores and Timor. In East and Central Java, however, the party would appear to have obtained a higher number of votes than there are Catholics. The strength of Parkindo was concentrated in North Sumatra (13.7%), North and Central Sulawesi (19.1%), South and Southeast Sulawesi (11.6%), Maluku (33.8%), and East Nusa Tenggara (20.8%). The Protestant Menadonese, so it would appear, felt a less strong incentive to vote for the party than did their Ambonese and Batak coreligionists. There is no easy explanation for this phenomenon: Ambonese Protestants live side by side with Moslems, most Menadonese and Batak Protestants live in overwhelmingly Christian areas. There was no significant difference between Maluku and the rest of the country in the percentage of eligible voters actually taking part in the elections: the Christians of Maluku, then, the alleged adherents of the RMS, have clearly expressed their desire to be represented in the parliament at Djakarta.

PKI, which with six hundred more votes would have acquired a fortieth seat, obtained a majority in various cities, including Surabaya, Semarang and Malang. It is significant that the population of the *kabupatens* around Madiun was not frightened away from PKI by the happenings in that region in 1948: the PKI percentage there was higher than that for the whole of the East Java electoral district. It is also noteworthy that PKI was somewhat more successful in another non-urban area, South Sumatra, than it was among the masses who have flocked into Djakarta in recent years.

IPKI, although not representing any special West Java interests, acquired more than eighty per cent of its votes in that district, where it made an especial strong showing in the Bogor area. GPSS polled almost three fourths of its votes in West Java, a seventh of them in the town of Bandung alone.

As a result of the elections two hundred fifty-seven members of parliament have been chosen. Three more were nominated as representatives of West Irian, and the number of members stemming from the groups of citizens of Chinese, Dutch, and Arab descent will have to be brought up to nine, six, and three respectively. Only two elected members of parliament, the Baperki representative and one for PKI, would appear to be of Chinese descent, as against eight in the provisional parliament (including two PNI, two PSI, one Partai Katolik, and the present Baperki representative). The group of Dutch descent may have found one representative among the members elected for Parkindo; in the provisional parliament four seats were held by citizens of Dutch descent, one for Masjumi, one for PIR, one for PSI, and one non-party. The latter, J. P. Snel, had no success as a candidate on a list of his own, and other Eurasian candidates put forward by the Persatuan Indo Nasional were equally unsuccessful, hardly a wonder considering the small size of the group involved. At least two organizations of citizens of Dutch descent, as well as a group of Eurasian members of GPSS, have suggested pos-

HONGKONG NOTES AND REPORTS

Resettlement Buildings—Government has been urged to speed up construction of resettlement buildings; at present rate of resettlement it would take 8 years to settle the remaining 300,000 squatters. The Resettlement Department is capable of resettling 80,000 persons a year but the Public Works Dept. is not able to provide multi-storey accommodation for more than 40,000 persons in 1957 due to shortage of engineering staff. Plans have been or are being prepared for 5 new resettlement estates at Wong Tai Sin, Kung Tong, Jordan Valley, Chai Wan and Tung Tau. Work on these estates will keep existing technical resources of PWD fully occupied for the next 4 or 5 years. At Wong Tai Sin, piling of the first block started recently. This block will provide accommodation for 35,000 people and will be completed by end of next May. Schemes for which work already started will provide accommodation for about 78,000 people while schemes under planning will further house 162,000 persons. During the past 3 years, 120,000 persons were resettled in multi-storey buildings erected by FWD. It is presumed that 70% of 200,000 squatters not yet resettled are so-called refugees and the cost of providing accommodation for them will be about \$140 million. This amount could partly be contributed by the United Nations Organisation.

Low Cost Housing—After squatters and roof-top dwellers have been housed, consideration should be given to provide housing for a very deserving section of the community, the labourers, the workmen and the subordinate office workers earning \$300 a month or less. These people are living in over-crowded conditions; a large number of them have been driven out from old buildings demolished for redevelopment projects. Those who used to occupy whole flats in old buildings costing \$50 a month now squeeze into \$100 per month small cubicles in new multi-storey buildings while those who can afford only \$30 or less per month pack the whole family into a bed space. It is often very miserable indeed. Big commercial and utility companies provide staff quarters to a section of their employees but the majority of local workers, manual and clerical, have to sacrifice more than 1/4 of their take-home pay for unhealthy accommodation in over-crowded flats. The redevelopment of old buildings accentuates this situation because with the exception of buildings put up by government and semi-official housing societies, there is practically no private project designed for tenants earning \$300 or less per month. Even the so-called 'low cost' houses (such as those at Tai Kok Tsui) are built for selling to small investors at \$10,000 to \$12,500 per flat. Someone, if not private investors then government, must build accommodation for this very deserving section of the community.

Tall Buildings—A 7-storey apartment building overlooking the Race Course in Happy Valley on Ventris Road was recently completed. At the southern end of Village Road just below Stubbs Road, work has started on a 9-storey building which will cost about \$1 million. On Clear Water Bay Road an investment company is planning to build a hotel of 6 storeys with an apartment block behind it. On

sible candidates for nomination. Another group has emphasized that the Eurasians would be more easily and speedily assimilated with other citizens if no special representatives were appointed.

The group of citizens of Arab descent had at least two representatives in the provisional parliament, for Masjumi and PSI; the PSI representative, Hamid Algadrie, has been elected to the new parliament as well. For this group no names have been suggested, and also in this case President Sukarno has been requested not to appoint special majority representatives.

mid-level, another company is erecting a 9-storey building; advanced purchases at prices from \$30,000 to \$45,000 per flat are now accepted. In Shauiwan, two 7-storey buildings are being put up, at a cost of \$110,000. In Kowloon, construction of a 17-storey building at the corner of Nathan Road and Bute Street will begin soon; prices vary from \$21,200 to \$37,100 per flat. At the corner of Nathan Road and Argyle Street, the Sun Wha (New China) Cinema will be pulled down and a small sky-scraper erected on the site; the investment company developing this site paid \$2.2 million for the land which is about 11,000 square feet.

In the central district of Hongkong the recently completed Man Yee Building is now almost fully occupied; most tenants moved in on July 1 which was a bank holiday. Rent of this building is \$1.50 per square foot exclusive of rates (about \$1.755 inclusive) which is much cheaper than \$2.20 to \$2.87 charged by other new office buildings in this district. The Li Po Chun Chambers Building (next to the Marine Dept. Building) on the water-front and the Yu To Sang Building on Queen's Road are nearing completion. The steel frame of new Jardine House has already surpassed the height of Post Office Building. Work on the Central House, the Central Government Offices, the Chartered Bank Building and the building at the corner of Ice House Street and Duddell Street is progressing smoothly. Last week, workmen started to put up scaffoldings outside Tak Shing House on Des Voeux Road Central which housed the main store of Whiteaway, Laidlaw & Co. The building will be demolished to make way for a 17-storey structure. With HK Land Investment Company's projects to redevelop King's, York and Union Buildings, the central district will be booming with new construction work for the next 5 years or more even without additional new projects. Consequently, rent for office accommodation will decline but the dip will not be sharp because the putting up of large office blocks involves huge sums of money and takes longer time to complete; furthermore many investors carry out their projects one by one with provisions for slowing down the development when there are indications of supply over demand.

Housing Survey—The Hongkong University will carry out a housing survey of the urban areas during the next 8 weeks. The survey has full Government support as well as cooperation from representatives of local residents. The information to be gathered mainly concerns housing conditions—size of family vs. accommodation, rent paid in relation to income, distance from place of work and study, suggestions for improvement. Results from such a survey will be of great importance to government as well as private organizations concerned with social welfare work and building development. It will be interesting too if the survey could reveal (1) the number of vacant flats, (2) the number of residential flats rented by the Quartering Authority for government employees, (3) the trend of rent scale, (4) the relation between rent and building cost, (5) the comparison between accommodation in new flats and that in old buildings based upon the same rent.

Imports of Rice, Frozen Meat and Coal—Imports of rice in May totalled 11,038 tons. Thailand sent here 5,382 tons, China 3,048, Cambodia 1,325 and North Vietnam 1,283 tons. Retail sales during the month totalled 20,070 tons averaging 5,017 tons per week. Prices of all grades of rice increased slightly during the month because stock level was lower than previous month. Imports of frozen meat totalled 573 tons against retail sales of 688 tons during the month. Imports of coal totalled 19,425 tons; 11,780 from China and 7,645 from India.

Tai Lam Chung Reservoir—The main concrete dam of the Tai Lam Chung Reservoir will be completed before year-end; its total storage capacity will then be 4,500 million gallons—3/4 of the total storage capacity of all exist-

HONGKONG INDUSTRIAL DEVELOPMENTS

Employment Statistics—Employment in local registered factories increased by 1,258 to 148,135 during the first 3 months this year although the number of industrial establishments dropped by 29 to 3,290 at end of March. Increased demand for semi-skilled labour from textile and plastic factories forced manufacturers in these industries to pay higher wages to the workers. The building boom too absorbed a large number of persons who used to work in small factories. However, with 700,000 so-called 'refugees' the supply of cheap labour, especially unskilled workers, at present far exceeds the demand and the general level of wage scale will remain low.

Industrial Land—Under a new government regulation offensive trades and smoke-producing industries are still barred from Kun Tong area but there is no longer any restriction on the nature of industry in different zones. Lack of water however still renders this factory area unsuitable for industries which are heavy water consumers. Since auction began in August 1956, about 50 sites have been sold. Industries were formerly divided into various groups and zones were earmarked exclusively for each group. This policy was later found to be hampering industrial development because a number of manufacturers produce a variety of products falling within different groups. Government therefore removed this zone-restriction.

To accommodate factories which are excluded from Kun Tong either because they are likely to produce smoke, or because they need assured supply of water (enamelware, glass, match, iron and steel) three areas have been selected by Government and plans are being prepared for their development as industrial areas. They are at Tsuen Wan and Gin Drinkers Bay and at Aberdeen but the latter will not be suitable for factories requiring abundant supply of water.

Refugee Handicraft—104 samples of handicraft made by refugees in Hongkong were sent by a local Chinese Rep-

resentative to the US Commerce Department for display. The samples include 'Swatow' drawn work and linen embroideries, 'Peking' brocades, silk blouses, silk paintings, pewter ware, rattan work and beaded slippers. According to Mr. E. Fried, chief of the Economic Section of American Consulate-General here, it is not normally the business of the Commerce Department in Washington to advertise such goods but they are giving this matter special consideration because it is the work of refugees in a non-profit organisation. Business orders will be transacted direct. The usual import duties will be collected on such shipments from here. This business will alleviate the indigency of refugees. Government is speeding up construction of resettlement buildings but without earnings the refugees cannot pay rent. Refugee industries here are mostly financially unsound. There is adequate capital here to support these so-called refugee production of muck-and-truck. But this capital is shy and rather goes into local and overseas speculation.

US Investment—In view of the success of HK made shirts in US, an American firm recently sent representatives here to start a shirt factory in Kowloon. A 6-storey building on Castle Peak Road is nearing completion and production will begin before year-end. Equipment and machinery are arriving here from US and the initial monthly production capacity will be about 30,000 dozen shirts all of which will be shipped to US. At present, most local shirt exporters contract with small garment factories to manufacture shirts according to specific samples but it is difficult to keep the quality uniform. Larger manufacturers are reluctant to accept too big an order from one buyer at the expense of other customers. Shirts to be produced in this new factory will be made chiefly of American cotton (spun, woven, dyed and printed in Japan). Designing and styling will be prepared in US or will be done here by American fashion magicians. Export of shirts to US will be stimulated after the completion of this factory. American manufacturers could also invest money in other local industries. There are many propositions here; a watch merchant from US recently ordered from a local factory water-proof watch cases, buying up all the products. Negotiations between US businessmen and local industrialists are being held for various possibilities. This might be of great importance to HK's economy in view of the steady decline in exports of HK products to traditional SE Asian markets.

Enamelware Industry—Exports of enamelware which slowed down in May improved recently with more orders from African markets. Shipments to the Middle East also recovered following the resumption of Suez traffic. During the first 5 months this year exports of enamelware amounted to \$29.5 million which is about \$1.2 million (or less than 5%) lower than the same period 1956. The decline in quantity exported is much less on account of this year's lower fob quotations marked down by local factories to meet keen competition from Japanese products in these markets. Nevertheless, the trend in general is bearish; exports to traditional markets such as Burma, Indonesia and Thailand could not possibly be improved because these countries maintain import restriction on this item to protect their own enamelware industry.

Rope Making—There are about 40 rope making factories in the Colony employing a total of more than 1,000 workers. Most factories however are small and their production is absorbed almost entirely by local fishing industry. A small number of larger factories are supplying cables and ropes to leading steamship companies as well as exporting their products to markets all over the world. One factory is producing ropes from 1/4" to 16" circumference according to British Standard Specifications. The hemp used in manufacturing is imported from Manila.

New Power Plant—At North Point, the HK Electric Company is erecting a steel-concrete building to house a new power plant which will have an ultimate capacity of 150,000 kilowatts. The plant will consist of five generators and six boilers. The first generator with a capacity of 30,000 kilowatts will arrive from UK early next year and the installation of this generator and boiler will be completed by autumn 1958. The second set of generator and boiler will be installed during 1959. The total cost of the new station will be about \$160 million. The existing North Point plant consisting of 5 turbo-generators and 9 boilers has a capacity of only 92,500 kilowatts.

Lantau Development—The first motor road on the island of Lantau was completed last month. It is 5 1/2 miles long, cuts through and around hills and runs over 9 bridges. The road, which is not yet named, leads westwards from the ferry pier at Silvermine Bay, passes Pui O and Shan Shek before reaching Cheung Sha, the end of the line. This road will later be extended from Cheung Sha to Tong Fuk, Sui Hau and Sek Pak; preparations are underway for it to encircle Lantau eventually. Government is to build a reservoir at Shek Pik. Local industrialists are planning to set up factories on Lantau after the completion of this reservoir and when electric supply is made available there.

THE PLASTICS INDUSTRY IN HONGKONG

By D. M. W. Allen B.Sc. (Chem.)

Introduction

The plastics industry is one of many examples of the rapid development which has taken place in the Colony's manufacturing industries during the last decade.

Any work describing the Plastics Industry must first of all explain what the term "plastics" means. The best way of doing this is from the chemical point of view. First of all, plastics are organic in nature (i.e. they contain carbon as a major constituent). Secondly they are polymers (i.e. long chains of fairly simple organic molecules). They are also amorphous in character (i.e. have no definite structural form) and as a result have no definite and sharp melting point. Thus they can be made, on the application of a suitable amount of heat and pressure, to flow and take up a desired shape—which is retained on the removal of the applied heat and pressure. In addition, plastic materials are quite light and usually can easily be coloured.

The industry in Hongkong is basically concerned with the production of small consumer goods and the field covered is very wide, as can be seen from Appendix I. During the last few years the industry has also started exporting machinery used in the production of plastic goods, but this is only, as yet, on a very limited scale. The Colony does import a small quantity of plastic goods, but this has decreased as the home production has increased. At present over three-quarters of the industry's annual production is exported.

History of the Industry

With the end of World War II, there became available a wealth of knowledge and information about plastics, which before the war had only been in the experimental stage of development. As a result of this knowledge, the production of plastic goods for general use became feasible. This resulted in the rapid development of a new industry in England, in the U.S.A. and many other countries. Thus it is only natural that, as a result of the success of plastics, some of Hongkong's business men should decide to develop the industry in the Colony.

Several factors were present in the Colony which greatly facilitated the rapid growth and expansion of its manufacturing industries. As a result of the Communists taking control in China, there was a large influx of refugees into the Colony, resulting in a large pool of labour becoming available. Together with this flow of refugees there came a substantial amount of capital. Thus the two most important factors required in any industrial expansion (capital and labour) were available. There was also the need to feed this large population, and the lack of agricultural land made it imperative that the Colony should develop its own manufacturing industries. Other factors which also aided this development were, firstly, the presence of a stable government in the Colony, together with a low rate of taxation; secondly the advantages of Hongkong's close ties with the U.K., which gave her access to Commonwealth markets and the advantages of Imperial Preferences; thirdly that Hongkong has excellent financial

and shipping facilities, and is the centre of the entrepot trade of the east. Finally, there were quite a number of business men and industrialists among the refugees, who provided the nucleus around which the industrial expansion could take place.

A number of these entrepreneurs were not slow to realise the possibilities of plastics. The first factory was built and registered in the Colony by Kadar Industrial Co., Ltd. in 1948, but it did not start full-scale production until 1949. By this time several other factories were in operation. Since then the number of factories has gradually increased, with a more rapid growth during the last two years. At present there are about 130 registered plastic factories in the Colony. (Ref. Appendix VA). The industry is run entirely by Chinese, most of the entrepreneurs coming from Shanghai or Canton. Besides the registered factories there are quite a number of unregistered ones which are rather small in nature, usually only family concerns employing 5 or 6 people.

Mention must be made of several natural advantages in the production of plastic goods. Firstly, the manufacture of plastic articles usually only requires one quite simple process. Secondly, the range of articles which can be made out of plastics is very large. (Ref. Appendix I). In many cases, plastic is a perfect substitute for the more orthodox materials, and can usually be produced much more cheaply. Thirdly, since plastics are light and easily malleable, quite a large number of goods can be produced from a small weight of raw material, using fairly simple tools and machinery. Finally in most cases any waste materials or faulty products can be used again.

Technical Methods

Plastic materials are many in nature but can be classified into two main groups.

(1) Thermo-softening materials which can be softened and resoftened indefinitely by the application of heat and pressure. The heat so applied must be insufficient to bring about chemical decomposition.

(Examples:— Cellulose Acetate, Polystyrene).

(2) Thermo-hardening (or Thermo-setting) materials which undergo chemical change on being subject to the action of the required heat and pressure. After this change their shape cannot be affected by the application of more intense heat and pressure.

(Examples:— phenol-formaldehyde condensate, urea-formaldehyde).

As a result of these properties, various methods of manipulation have been developed by the industry. The four main methods being used in the Colony, are

a) Blow Moulding, in which the plastic sheet is heated so as to soften it and then it is blown into contact with the mould by direct air pressure. Quite often this is combined with the extrusion process in which the plastic material is first extruded as a tube; which, whilst it is still hot and flexible, is blown into the desired shape. This process prevents unnecessary over-heating of the plastic.

This survey was prepared under the supervision of Mr. E. F. Szczepanik, Lecturer in Economics, University of Hongkong. (Editor's Note).

b) Compression Moulding; here the mould is first raised to the desired temperature, then the required amount of powdered (or tablet-form) material is introduced and the mould closed under pressure for a specific time. During this time the powder liquefies and fills the mould giving the required article. The mould is then reopened and the solid moulded unit is ejected.

c) Injection Moulding; the plastic materials are rendered fluid in a separate chamber outside the mould and are transferred under pressure into the cooled mould. The liquid plastic completely fills the mould and immediately solidifies, the two halves of the mould are then separated and the moulded unit is ejected.

d) Extrusion process; the plastic materials are rendered mobile at elevated temperatures and then extruded under controlled conditions through orifices of the required shape.

It is possible to give only a general outline of the technical state of the industry in Hongkong since no census of machinery has taken place yet. On the whole the machinery used by the industry is of local manufacture. Quite a common practice is to buy the initial machine (or

machines) from the U.K., the U.S.A., or Japan and then—as production expands—to build further machines, copying from the original model and adding any modifications which may have been found desirable. The work on these machines, as well as on the moulds, is usually carried out on the factory premises, to prevent ‘copying’ which is very common in the industry. Injection machines vary in capacity from about $\frac{3}{4}$ oz. to 8 oz., the smaller ones up to about $1\frac{1}{2}$ oz. being hand operated. The ranges $1\frac{1}{2}$ to 4 oz. are usually semi-automatic, whilst the larger ones are fully automatic. The largest known machine of this type has a capacity of 16 oz. Machines of the blow moulding and compression types are mainly hand-operated types, but quite a number of the larger factories have power driven models. The process of combining blow moulding with the extrusion process is very often used by the larger firms and is very popular amongst them, since it gives a continuous and fairly rapid rate of production. Extrusion machines are also used and are mainly of Japanese design operating up to about $2\frac{1}{2}$ inches diameter. Most of the machinery is obtained from the U.K., the U.S.A., Japan and Western Germany.

Compared with Western countries, the industry is not highly mechanised; a high percentage of the equipment is of the hand variety. As a result, inadequate pressure and poor temperature control are quite common, especially with the smaller firms. Another common practice is the tendency to shorten the cycle in order to increase production. These faults result in a higher percentage of rejects and poorer quality products.

Where the Hongkong manufactures have the greatest advantage over the Western countries is in the cheapness of labour, which enables them to spend more time and labour on the finishing of their goods. This side of production is hardly mechanised at all, except for a few jigs and small tools.

Manpower

The industry is run entirely by Chinese, mainly ex-Shanghai and ex-Canton business men. The factories range in size from quite small family concerns employing about half a dozen people to some employing over 300 people. The industry has been expanding continuously since 1948, when there were 11 factories registered. There are now 128 registered factories. This figure does not include quite a number of firms which produce plastic articles as a sideline, nor does it make allowance for various firms like button and pen factories, etc., of which several have turned over to using plastics in place of the old traditional materials. Considering Appendix VA several interesting facts emerge:—

(1) The number of factories has greatly increased, especially during the last few years. This increase has mainly been in the plastic and plasticware section of the industry. The bakelite factories have not shown the same rapid rate of growth.

(2) The percentage of the plastic industry's factories to the total number of manufacturing and industrial factories has increased from just under 1% to 4%, which indicates that the industry is in a virile and expanding state.

The labour employed by these concerns is mostly of the unskilled and semi-skilled type. Appendix VB shows:—

(1) That as the number of factories has increased so has the demand for workers. During the last two years the number employed has increased about threefold.

(2) The percentage of female workers has greatly increased, from about 32.7% in 1952 to 57.7% in 1956. This is due to the fact that women can be employed at a cheaper rate than men, and that they tend to do tedious and monotonous jobs better than men.

These figures do not indicate the total labour force of the industry, since they only cover the workers on its actual production side, and do not take into account the sales and administrative staffs; but the latter are small compared with the total.

The rates of pay are fairly uniform for the various types of workers. They are as follows:

Unskilled: 2-4 dollars per day,

Semi-skilled: 4-6 dollars per day,

Skilled: 6-16 dollars per day.

The skilled craftsmen who make the moulds, and the technicians, receive quite high rates of pay, in the 10 to 16 dollar range. In the unskilled and semi-skilled ranges the rates of pay vary slightly with the skill required. Some of the larger firms combine these basic rates with a production bonus, but this practice is rare.

Most of the unskilled and semi-skilled workers are on a day-to-day basis, with the numbers varying as the amount of work available fluctuates. Nearly all the factories work shifts, usually two of 8 hours, often increased to three if orders warrant it. Women can only be employed in the factories between 7 a.m. and 8 p.m.

The machines are mostly operated by the men, while the women are generally concerned with assembly, packing and checking of products.

Trade unions are almost non-existent in the industry, especially among the less skilled workers.

Raw Materials

All the raw materials required by the industry are imported into the Colony. The official returns since 1952 are fairly accurate and cover the major raw materials used by the industry. Under the column marked "synthetic plastics not elsewhere mentioned," there is great variety of materials; and this figure is increasing yearly, as various new plastics are being discovered and developed.

Due to the advantages of being able to claim reductions or freedom from duty on goods made from raw materials of "Empire origin," on exporting them to Commonwealth countries, by far the larger proportion of raw materials imported into the Colony comes from the U.K. and Canada. Other main suppliers are the U.S.A., Japan and Western Germany. As a result of these "Imperial Preference" arrangements, the competition for raw materials is very keen. The credit terms are in general good, 90 to 120 days D.A. being allowed to the factories by the sellers. Also, the larger factories often act as agents for supplies of raw materials to smaller factories whose credit standing is not very high. The main disadvantage of buying raw materials from Canada and the U.S.A. is that they have to be bought for U.S. dollars. Whilst the Commonwealth rate of exchange for the HK dollar is fixed in terms of the pound sterling (16 HK dollars to £1 sterling), its open market rate of exchange to the U.S. dollar fluctuates to quite a large extent.

Despite the disadvantage of having to use U.S. dollar to buy Canadian raw materials, the Canadian product is preferred, in certain cases, such as polystyrene, to the U.K. product. This is due to the fact that the Canadian material has a 100% "Empire Content," being manufactured from

Canadian petroleum, whilst the U.K. product is made from Middle East petroleum. Thus the higher Imperial Preference content of the Canadian material helps to offset the cost of other materials used.

Some of the raw materials are re-exported in the original state to China, Thailand, Indonesia and S. Korea. The major part is, however, retained and used in the Colony; this has become increasingly so during the last few years.

The raw materials are mainly in crystal, powder, sheet and rod forms. Some of the major ones are methyl methacrylate, methyl acrylate, polystyrene, polydichlorostyrene, cellulose acetate, aceto-butyrates, urea-formaldehyde resins, phenol-formaldehyde resins, melamine formaldehyde plastics, polyethylene, polyvinyl acetate, polyvinyl chloride and plasticized nitrocellulose.

It will be seen from Appendices IIIA, IIIB, IVA & IVB that the value and volume of exports of plastics into the Colony have increased substantially over the last few years. The volume of re-exports reached a maximum in 1953; it has gradually declined since then, whilst the figures for the volume used in the Colony have greatly increased. About 85% of raw materials come under the classification of thermo-softening plastics.

Finance and Organization

It is impossible to obtain any figures relating to the financial state of the industry due to two main reasons. The first is that most of the concerns are privately owned by one or two persons, or are limited companies with controlling shares similarly in the hands of one or two persons. Secondly, most owners prefer to keep the level of their profits unknown. Despite fervent denials to the contrary, profit margins are quite high by normal western standards, ranging from 20% to 40% of the costs, whilst in some of the smaller firms profit may be as high as 50%.

Most of the firms start on borrowed capital but the rate of interest demanded by most Chinese banks is very high, viz. 15 to 20% p.a. But despite this high interest rate, most borrowers seem able to pay off the original loan in 2 or 3 years. As noted above, the credit terms for raw materials on the whole are very good and quite often the manufacturer is receiving returns from the raw materials before the time for payment is due.

The organization of firms is fairly simple, being mainly divided into production, sales and accounting departments. With most firms these are directly controlled by the owner. The sales and accounting departments are not particularly well developed. The production side is usually divided as follows:

- (1) Operation of machinery and production goods
- (2) Assembly of components (if necessary)
- (3) Checking and packing of goods
- (4) Technical and maintenance staff
- (5) The skilled craftsmen who are responsible for making moulds and fresh equipment.

Each section has a supervisor (or a "number one" as he or she is generally called), who, in the really large concerns, is usually directly responsible to the owner or manager. In addition, the "number one" is responsible for finding and employing personnel in his section, as required.

In the smaller firms, organisation is not very complex. Often the owner controls everything, more or less personally, doing the selling and the general supervision of work and machinery himself.

One or two of the firms have shops or offices in the centre of Hongkong, but usually the business transactions and office work are carried out on the factory premises.

Outputs and Markets

It is rather difficult to get any clear indication of the total output of the industry from official sources. This is partly due to the lack of detailed information in the Hongkong Trade Statistics, but primarily it is due to the very nature of plastics themselves, which are being developed and exploited at a phenomenal rate. They are invading so many new fields that it is impossible to keep a tabulation of them up to date.

The following is a list, by no means complete, under which plastic goods are covered, to some extent, in the official returns of Trade Statistics.

Handbags, wallets, purses and similar articles of all materials.

Buttons, studs of all materials except those of precious metals.

Toys and games.

Vacuum flasks and jugs complete, local manufacture.

Articles made of plastic, n.e.s., of local manufacture.

Fountain pens, propelling pencils.

Table and other household (including hotel and restaurant), and art articles of plastic, of local manufacture.

Umbrellas, parasols, walking sticks and similar articles.

In order to get an estimate of the total output of the industry, the following indirect method has therefore been used. The most reliable and comprehensive information is on raw materials, and from these it is possible to determine fairly accurately the volume and value of plastic raw material used in the Colony annually. As 20-30% of the total cost of the manufactures is taken up by raw materials, it is possible to estimate the total annual value of the output of the industry. The results of this method are given below for the years 1952-56.

Year	1952	1953	1954	1955	1956
Volume of raw materials used (in mn. lbs.)	2.93	5.16	8.11	10.8	16
Index	100	176	277	371	543
Estimated value of raw materials used (in HK\$ million)	8.58	11.3	16.4	20.8	30.4
Estimated total output of plastic industry (in HK\$ mn.)	31.2	41.3	58.2	75.6	110

As can be seen from these figures, the annual value of the output of plastic goods made in the Colony is increasing at a very substantial rate. Over three-quarters of the annual output of the trade is exported, the main markets being Indonesia, Malaya, Middle East countries, Thailand, the U.K., Australia, East Africa, West Africa, South Africa, S. Korea and the U.S.A. Hongkong levies neither import nor export duties on plastic materials or products and has no control by quota.

Economic Importance

Appendix VB shows that the plastic industry in 1956 was responsible for employing about 2.3% of the total

registered labour force in Hongkong's registered and recorded factories. From 1952 onwards the number employed has been increasing steadily, except for a slight setback in 1954. These figures do not take into account workers employed in domestic industries and in factories which manufacture plastic articles as a sideline, nor in button or pen factories which now use plastic materials. Thus the plastic industry is quite an important provider of livelihood for the workers of Hongkong.

Taking the annual output figures for the industry, we can estimate that three-quarters of this total is exported. Then comparing this estimated total with the total annual value of exports of Hongkong products for the years 1952 to 1956, we obtain the following estimates:

Year	1952	1953	1954	1955	1956
Estimated total value of output of industry (in mn. HK\$)	31.2	41.3	58.2	75.6	110
Total export value of plastic industry (in mn. HK\$)	23.4	31.0	43.7	56.7	82.5
Total exports of HK products (in mn. HK\$)	486	635	682	730	783
% of total exports of HK products contributed by plastic industry ..	4.81	4.88	6.40	7.77	10.54

It is seen that the contribution of the industry has increased from about 5% to over 10% in this period. Thus the plastic industry is quite a valuable contributor to the Colony's economy. The future prospects of the industry also look very good indeed.

Government aid to the industry is confined to general information and the supervision and enforcing of minimum safety and welfare standards.

Conclusions

Despite all that has been and is being accomplished, there is still plenty of room for improvement in the industry. The rates of production, the quality and total output of goods can be raised by using more up-to-date methods and increasing the degree of mechanisation in the industry. As a first step in this direction many firms could make use of semi-mechanical tools such as jigs, etc., for the assembly and finishing of products. Secondly, the industry should form some type of association in order to discuss and develop new ideas and methods as they become available, advertise Hongkong plastic products in the home and overseas markets, explore possibilities of new markets, and also attempt to solve the problem of 'copying' in the industry. Thirdly, the manufacturers, instead of copying W. German, U.K., and U.S.A. ideas and designs in such lines as toys, etc., could develop goods which are novel and oriental in nature, providing themselves with a unique market.

This article has attempted to show the excellent progress and the fine achievements of the industry over the last few years, together with the part it plays in the economy of the Colony. It is obvious that the industry is in a very virile and thriving state. Hongkong's plastic products make a good showing in world markets in their particular lines and price ranges, and are a good recommendation of the skill and craftsmanship of all concerned in this industry.

APPENDICES

I. List of Plastic Products produced in Hongkong

Ashtlays, Animal figures.
Buttons, bowls, bottles (soft), bags.
Cloth pegs, cigarette cases, coat-hangers, chopsticks.
Cameras, cups, combs.
Dishes, dolls.
Electrical appliances.
Forks, fans (hand), fountain pens, flashlight cases.
Glass frames, gramophone records.
Handbags, handles (door, etc.)
Lampholders, lamp shades, lens.
Mats, Mah-jong sets.
Poker chips, pegs, plates, pencil boxes and sharpeners.
Raincoats, rulers, rattan strip (plastic coated).
Spoons, switches, soap boxes, string bags, saucers.
Tumblers, toys, toothbrushes, telephone cords.
Umbrella handles, vacuum flasks.
Wallet-windows, watch glasses.

II. The major plastic raw materials imported into the Colony and their uses.

Acrylic Resins (i.e. methyl methylacrylate, methyl acrylate, polymethyl methylacrylate).

Uses:— mah-jong sets, toothbrushes, sign boards, umbrella handles, watch glass, buttons.

Cellulose acetate, cellulose acetate butyrate.

Uses:— Toys, umbrella handles, toothbrushes, fountain pens.

Polystyrene and polydichlorostyrene.

Uses:— Toothbrush handles, soap boxes, lens, cameras, cheap dolls, toys, combs, coat-hangers.

Formaldehyde Resins (phenolic plastics, Urea-Formaldehyde, Melamine Formaldehyde).

Uses:— Buttons, vacuum flask cases, cups and saucers, electrical wiring accessories, switches.

Plasticized Nitrocellulose.

Uses:— spectacle frames, collar stiffeners.

Vinyl Resins (P.V.C., P.V.A., acetals).

Uses:— coating rattan strips, string bags, dolls, tubes, telephone cords.

Synthetic plastic materials.

Uses:— Toothbrush bristles (nylon, perlon), fishing lines, soft bottles (polythene).

Leather cloth (plastic and nitro-cellulose covered fabrics).

Uses:— straps for sandals, cinema and bus seats, hand-bags.

III A.

Imports of Raw Materials (Quantity)

Material (in lb. wt.)	1952	1953	1954	1955
Acrylic Resins inc. polymethyl methyl acrylate	329,598	226,772	243,444	445,448
Polystyrene & Polydichlorostyrene	2,352,100	5,746,245	6,936,787	7,029,471
Cellulose Acetate & aceto butyrate	587,598	879,061	1,222,858	248,976
Formaldehyde resins	643,448	1,148,896	1,473,803	1,585,802
Plasticized Nitrocellulose	99,871	287,032	377,788	460,514
Vinyl resins	46,566	74,895	213,694	558,155
Synthetic plastic	564,642	1,166,414	1,511,313	1,741,233
Total amount of plastic material	4,604,823	9,529,345	11,939,675	12,074,604

III B.

Imports of Raw Materials (Value)

Raw Materials (in HK\$)	1952	1953	1954	1955
Acrylic Resins inc. polymethyl methyl acrylate	2,042,913	891,878	949,607	1,776,323
Polystyrene & polydichlorostyrene	5,712,427	11,623,687	14,452,403	13,468,540
Cellulose Acetate & Aceto butyrate	1,865,744	2,314,488	2,876,472	582,739
Formaldehyde resins	1,395,893	1,994,061	2,043,334	1,933,391
Plasticized Nitrocellulose	367,731	731,877	845,532	1,127,746
Vinyl resins	168,443	178,977	647,078	1,130,325
Synthetic plastic materials n.e.s.	1,897,503	3,170,327	2,316,812	3,061,500
Total value	13,450,654	20,905,295	24,131,238	23,060,564

IV A.

Exports of Raw Materials (Quantity)

Material (in lb. wt.)	1952	1953	1954	1955
Acrylic Resins inc. polymethyl methyl acrylate	54,743	28,926	4,872	2,484
Polystyrene & Polydichlorostyrene	801,582	2,103,993	1,442,987	830,594
Cellulose Acetate & Aceto butyrate	245,529	980,457	1,351,804	55,041
Formaldehyde resin	218,290	460,798	211,111	128,589
Plasticized Nitrocellulose	34,259	35,618	12,779	61,875
Vinyl resins	—	41,428	68,320	350
Synthetic plastic materials n.e.s.	313,435	713,978	740,608	113,875
Total amount of plastic materials	1,667,808	4,365,196	3,832,482	1,190,788

IV B.

Exports of Raw Materials (Value)

Material (in HK\$)	1952	1953	1954	1955
Acrylic Resins inc. polymethyl methyl acrylate	144,768	51,928	15,352	11,596
Polystyrene & Polydichlorostyrene	2,061,372	4,920,110	3,135,468	1,692,079
Cellulose Acetate & Aceto butyrate	1,307,066	2,556,469	3,293,769	197,060
Formaldehyde resin	517,149	1,525,260	416,636	279,511
Plasticized Nitrocellulose	166,288	153,563	41,297	207,671
Vinyl resins	—	149,556	199,174	1,400
Synthetic plastic materials n.e.s.	1,368,331	2,147,632	1,671,968	284,310
Total value	5,564,974	11,504,518	8,773,664	2,873,627

V-A Number of Factories

Year	1952	1953	1954	1955	1956
No. of plastic & plasticware factories	15	30	39	65	113
No. of bakelite factories	5	8	10	12	15
Total	20	38	49	77	128
Total No. of registered industrial enterprises in Hongkong	2,068	2,317	2,494	2,925	3,319
% of plastic factories in grand total	0.98	1.64	1.96	2.63	3.85

V-B Employment

No. of male workers in plastic factories	253	534	400	709	1,226
No. of male workers in bakelite factories	59	91	101	151	166
No. of female workers in plastic factories	110	307	345	782	1,761
No. of female workers in bakelite factories	42	64	59	99	135
Total No. of workers	464	996	905	1,741	3,288
Total No. of workers in all factories in HK	98,126	103,596	115,453	129,465	146,877
% of plastic workers to total No. of workers	0.47	0.97	0.79	1.35	2.24

Obtained from Hongkong Trade Statistics for December, 1952-55.

Returns of the Labour Department: as at December 31st each year.

CATHAY PACIFIC AIRWAYS

Cathay Pacific Airways will commence their Hongkong/Pnom Penh v.v. service on Saturday, 13th July, in accordance with the timings shown in the printed schedule. This service provides an immediate connection at Pnom-Penh for Siem Reap, which is the aerodrome for Angkor Wat. This is the major tourist attraction in Vietnam and Cambodia.

Cathay Pacific will commence on 11th August, a weekly service from Hongkong to Kuala Lumpur. The schedule will be as follows:—

CX177			CX178		
Sun			Mon		
0930	Dep	Hongkong	Arr	1900	
1215	Arr	Saigon	Dep	1215	
1300	Dep	Saigon	Arr	1130	
1655	Arr	Kuala Lumpur	Dep	0835	
1740	Dep	Kuala Lumpur	Arr	0750	
1900	Arr	Singapore	Dep	0630	

The fares will be:—

Single	HK\$ 644.00	M\$355.00
Return	1,195.00	639.00
Excursion (30 day return)	1,122.00	600.00

FLIGHT SCHEDULE

		SUN.	MON.	TUE.		WED.	FRI.	SAT.
		CX 177X	CX 723 ▲	CX 035X	CX 729 ▲	CX 725 ▲	CX 033X	CX 727 ▲
HONGKONG	dep.	1300	1400	1100	1900	1200	1100	1400
	arr.	1545	—	—	—	—	—	—
	dep.	1630 (D)	—	—	—	—	—	—
BANGKOK	arr.	—	1625	1445	—	1425	1445	1625
	dep.	—	1710	1530	—	1510	1530	1710
SINGAPORE	arr.	2035	2120	—	2340	1920	—	2120
RANGOON	arr.	—	—	1705	—	—	1705	—
	dep.	—	—	1750 (D)	—	—	1750 (D)	—
CALCUTTA	arr.	—	—	2015	—	—	2015	—

Aircraft ▲ = DC. 6 Aircraft X = DC. 4

		SUN.	MON.	TUE.		WED.	THUR.	FRI.	SAT.
		CX 728 ▲	CX 178X	CX 724 ▲	CX 036X	CX 730 ▲	CX 726 ▲	CX 034X	
CALCUTTA	dep.	—	—	—	2200	—	—	2200	—
	arr.	—	—	—	0225	—	—	—	0225
	dep.	—	—	—	0310	—	—	—	0310
SINGAPORE	dep.	0800	0800	0800	—	0030	0800	—	—
BANGKOK	arr.	1105	—	1105	0545	—	1105	—	0545
	dep.	1150	—	1150	0700	—	1150	—	0700
SAIGON	arr.	—	1115	—	—	—	—	—	—
	dep.	—	1200	—	—	—	—	—	—
HONGKONG	arr.	1815	1845	1815	1430	0810	1815	—	1430

		SUN.	WED.	FRI.
		CX 315 ▲	CX 313X	CX 317 ▲
HONGKONG	dep.	1900	1530	1700
MANILA	arr.	2055	1810	1855
LABUAN	dep.	—	1855	—
	arr.	—	2245	—

		MON.	THUR.	SAT.
		CX 316 ▲	CX 314X	CX 318 ▲
LABUAN	dep.	—	0945	—
MANILA	arr.	—	1335	—
HONGKONG	dep.	0900	1420	0900
	arr.	1255	1900	1255

		SAT.	SUN.
		CX 201 †	CX 202 †
HONGKONG	dep.	0800	1845
PNOM-PENH	arr.	1230	0900

† = DC. 3

FINANCE & COMMERCE

HONGKONG & SHANGHAI BANK'S ISSUE OF BONUS SHARES

The Directors of the Hongkong & Shanghai Banking Corporation decided to transfer a sum of HK\$25,000,000 (£1,562,500) to the published Reserve Fund by a transfer of HK\$9,000,000 from the balance carried forward in the Profit and Loss Account at 31st December 1956, and HK\$16,000,000 from Inner Reserves. Arrangements have been completed with the Government of Hongkong to introduce the necessary legislation to abolish the contingent liability of Shareholders. Subject to the consent of H.E. the Governor of Hongkong to the relative increase in capital, it is proposed to recommend to Shareholders at an Extraordinary General Meeting to be held on 9th August 1957 that a bonus issue be made in the proportion of one share for each share then held by the capitalisation of HK\$25,000,000 of the Reserve Fund. Such new shares will not rank for the present interim dividend but will be entitled to all subsequent dividends.

This proposed capitalisation is being made in connection with the cancellation of the reserve liability of Shareholders and should not be construed as an indication of intention to increase the total amount to be distributed by way of dividend in the future.

As the Chairman of the Bank said at the last Annual Meeting the shareholders ever since the formation of the Bank had been liable, in the event of the Bank being dissolved, for the full amount of the notes issued by the Bank, and had also been liable to contribute to the Bank's debts to the extent of the nominal value of each share. The removal of these liabilities will be a welcome relief and of great benefit to shareholders and will enhance the value of the shares as trustee investments and securities.

The proposed capitalisation will bring the capital and the published reserves of the Bank into a more reasonable proportion, but the reserves will still be greater in relation to its capital than in the case of most banks. The cautious note that the capitalisation should not be construed as an indication of an intention to increase the total amount of dividend in the future does not exclude the possibility of an increase on the present payment if the continued prosperity of the Bank justifies it. No doubt shareholders would welcome the splitting of the shares, as in the recent case of the Union Insurance Society of Canton, as the present unit cost tends to put the shares out of the reach of the small investor, but the directors may consider that one good thing at a time is enough.

INVESTMENTS IN NORTH AMERICA

By E. Kann

The few farsighted people who, fifty brief years ago, had invested a paltry \$2,700 in Internat. Business Machine Co. shares would to-day be holding an accumulated \$2,000,000. This transformation was brought about by stock dividends and share splits.

Our contemporaries, who—merely a year ago—had the good sense to buy Lukens Steel Co. stock could have made in this short space of time 270% profit. Lukens, a very old, though small concern, was scarcely known to the man in the street. But its output of heavy steel plate (which is still short to-day), coupled with sound management, became a star performer.

There against it might be argued that the crush of 1929 has not been obliterated from the memory of thousands of victims. However, that debacle cannot be repeated to-day, because then 10% margin was sufficient to enter the arena, a meeting place where commonly bulls predominate. However, at that earthquake the bears ought to have had free play.

To-day the New York stock market is rather high, the Dow Jones industrial averages having again broken through the 500 mark. Nevertheless, selectivity and patience are likely to bring rewards, always provided that no major war will break out. Personally I consider the oils to-day as the most rewarding group with a good future if in the possession of investors girded with patience and good nerves.

The following tabulations compiled by myself supply details about some U.S. oil companies.

Nevertheless, Phillips Petroleum has an excellent future, for not only is its management very efficient, but diversification is much to the point. Sales of the concern surpassed \$1 billion in 1956. Apart from its importance as oil producer, it turns out noteworthy quantities of natural gas. Furthermore, it manufactures liquid gas and synthetic fertilizers. Of much significance is Phillips' production of petro-chemicals, inclusive of artificial rubber; petro-chemicals are still in their infancy; yet, they already form about 10% of Phillips' total sales.

In February of this year Phillips Petroleum Co. offered to its shareholders \$172 million of 4% debentures, due February 15, 1987. However, these debentures will be convertible until 1967 into common stock at a price of \$50 per share and higher rates thereafter. Of the proceeds of the issue \$86 million were earmarked for the repayment of Bank loans, while the balance is to be used as additional working capital. Such financing actually causes a dilution of the common shares, but possibilities of Phillips are so good that earnings are likely to show a commensurate advance.

Phillips depends mainly on domestic production of oil products. But, on the other hand, the firm is also interested in foreign sources, namely: In the Middle East, where it holds a 33½% interest in the Independent Oil Co., which holds rights in the 1,630,000 acre Kuwait-Saudi Arabian Neutral Zone near the Persian Gulf. There the peak production in July, 1956, had reached 22,000 barrels daily. In Venezuela Phillips daily output amounted to 8,718 barrels crude and liquid gas; it holds concessions in Venezuela situated on 215,000 acres, where its 253 producing oil and gas wells are situated. In November of 1956 the concern bought additional 32,800 acres in Venezuela, where in December last 3,500 barrels were produced daily.

Name of Co.	Current price \$	Annual Earnings†	Dividend 1956	Yield %	Price x Earnings	Par value	Number of common stocks	Debt in million \$
Phillips Petroleum Co.	48½	\$2.77	\$1.60	3.30	17.4	5	34,340,721	242.72
Pure Oil Co.	44½	4.30	1.60	3.60	10.3	5	8,574,915	79.60
Sinclair Oil Co.	66	6.17	3.00	4.54	10.7	5	15,487,555	355.17
Sunray Midwest Oil Co.	27	2.40	1.20	4.44	11.2	1	17,316,610	130.43
Union Oil of California	58	4.45	2.40	4.14	13.0	25	7,700,000	193.80
Standard Oil of California	54	4.24	1.65	3.06	12.7	6¼	63,224,386	78.60
Standard Oil of New Jersey	61½	4.10	2.10	3.41	15.0	7	196,575,378	557.90
Gulf Oil Corporation	149	9.54	2.50	1.67	15.6	25	29,610,831	175.50
Continental Oil Corporation	63½	2.65	1.53	2.40	23.9	5	19,554,602	107.50
Royal Dutch Petroleum Co.	50½	5.00	1.05	2.08	10.1	20*	80,818,280	478.00
Socony Mobil Oil, Corp.	58½	5.70	2.30	3.98	10.3	15	46,177,343	216.80
Texas Co.	70	5.51	2.35	3.36	12.7	25	54,881,428	363.90

† per share in 1956.

* guilders.

‡ means debt & preference stock combined.

From the foregoing table it will be noted that hardly any stocks in the list are attractive as far as income is concerned. On the other hand, prospects for growth are excellent, the more so as demand for oil products all over the world are growing by leaps and bounds. Some of the oil firms listed here have, beside the dividend payments, granted stock dividends, which are not shown here.

Phillips Petroleum Company: It is not possible to supply details about all the big oil concerns listed in the foregoing part, though it is worthwhile to analyze Phillips here, due to its future possibilities. Some of the reasons why Phillips has not advanced in a faster pace can be found in the following factors: Due to constant extensions, capital expenditure (\$258 million in 1956) is very large. Earnings not distributed, but ploughed back into the business aggregated \$475,118,798 as of September 30, 1956. Substantial write-offs of development costs is another cause penalizing bigger profits.

In Canada the company owns leases on 2,690,000 acres in Alberta, Manitoba, British Columbia and Saskatchewan. During the first nine months the company's initial daily production in Canada was 1,378 bbls.

Phillips' owned or controlled proven reserves as of September 30, 1956, were: owned 625,938,000 bbls; and controlled 167,803,000 bbls. Natural gas owned in liquid shape 220,739,000 bbls; and controlled 237,060,000 bbls. Besides, natural gas 11,400,000 cub. feet, plus 5,800,000 cub. feet (these figures are in millions) and refer to reserves in USA only.

Abroad the firm owns about 123,000,000 bbls of crude oil and condensate, plus about 24,900,000 bbls liquid gas owned or controlled; also 484,000 million cub. feet of natural gas. The company owns about 5,600 miles of residue, and gas pipe lines on lands for which the rights of way are held.

HK EXCHANGE MARKETS

U.S.\$

July	T.T. High	T.T. Low	Notes High	Notes Low
1	H o l i d a y			
2	\$614	612½	612	610¼
3	612½	611½	610½	608¾
4	614½	613	613½	611¾
5	615	614	613¾	612½
6	605	602	604½	598

D.D. rates: High 613½ Low 598.

Trading totals: T.T. US\$2,780,000; Notes cash US\$195,000, forward US\$2,320,000; D.D. US\$270,000. The market registered a sharp dip (2%) on the last trading day; cross rate appreciated by 6¼ points. Financial circles here assumed a wait-and-see attitude towards UK's new control on the acquisition of foreign securities by Britons in UK. In the T.T. sector, general and gold importers provided steady demand for offers from Japan, Korea, and the Philippines. In the Notes market, the drop was so sudden and sharp that overbought speculators suffered heavy losses. Interest favoured sellers and aggregated HK\$1.30 per US\$1,000. Speculative positions averaged US\$2 m. per day. In the D.D. sector, the market was quite.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.74—1.71, Japan 0.014525—0.014375, Malaya 1.876, Vietnam 0.0666—0.0662, Laos 0.055, Cambodia 0.072, Thailand 0.289—0.2857. Sales: Pesos 270,000, Yen 105 million, Malayan \$240,000, Piastre 9 million, Kip 5 million, Rial 5 million, and Baht 2 million. Rates for Yen and pesos were affected by the dip of US dollars. **Chinese Exchange:** People's Yuan notes quoted HK\$1.35 per Yuan. Taiwan Dollar notes quoted HK\$0.167—0.166 per dollar, and remittances 0.16. Taipei decided to grant preferential exchange rate to all overseas Chinese who make remittances to Taiwan to support their dependants. With the extension of this privilege which hitherto was accorded only to diplomats and American military personnel, the Ministry of Finance expects that more overseas Chinese remittances will be made through government banks instead of through private channels. The preferential rate at present is Taiwan \$34 to one American dollar while the open market rate is around Taiwan \$37.30.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 16.65—16.57, Scotland and Ireland 14.00, Australia 12.50, New Zealand 14.95—14.90, Egypt 11.00, East Africa 15.20, West Africa 13.50, South Africa 16.30, Jamaica 14.00, Fiji 10.00, Malta 12.00, India 1.1875—1.186, Pakistan 0.83, Ceylon 0.995, Burma 0.52, Malaya 1.84—1.838, Canada 6.39—6.29, Cuba 5.50, Argentina 0.135, Brazil 0.075, Philippines 1.825—1.78, Switzerland 1.43, West Germany 1.44, Italy 0.0094, Belgium

0.115, Sweden 1.02, Norway 0.72, Denmark 0.77, Netherlands 1.54, France 0.01465—0.0146, Vietnam 0.07—0.0685, Laos 0.055—0.054, Cambodia 0.0725—0.072, North Borneo 1.60, Indonesia 0.138—0.134, Thailand 0.28—0.2785, Macau 1.015—1.01, Japan 0.01515—0.0149.

Gold Market

July	High .945	Low .945	Macau .99
1	H o l i d a y		
2	\$266¾	266½	
3	266¾	265½	
4	267½	266¾	
5	267¾	266¾	277¼ High
6	263¾	262	Low 272

Opening and closing prices were 266¾ and 263¾; highest and lowest, 267¾ and 262. The market was very weak on the last trading day in line with the US\$ exchange; overbought speculators were trapped with heavy losses. Interest for change over favoured sellers and aggregated HK\$ 1.14 per 10 taels of .945 fine. Traders averaged 7,500 taels per day and totalled 37,500 taels for the week, in which 12,950 taels were cash transactions (1,250 taels listed and 11,700 taels arranged). Speculative positions averaged 16,200 taels per day. Imports from Macau amounted to 8,500 taels. One shipment of 24,000 fine ounces reached Macau in the week. Exports totalled 9,000 taels (5,500 to Singapore, 2,500 Indonesia, 1,000 Rangoon). Differences paid for local and Macau .99 fine were HK\$13.00—12.50 and 12.00—11.80 respectively per tael of .945 fine. Cross rates were US\$ 37.73—37.71 per fine ounce; 8,000 ounces contracted at 37.73 cif Macau. US double eagle old and new coins quoted HK\$275—270 and 232—228 respectively per coin; English Sovereigns HK\$58 per coin; Mexican gold coins HK\$284—278 per coin. **Silver Market:** 500 taels of bar silver traded at HK\$5.80 per tael, and 500 dollar coins at HK\$3.72 per coin. Twenty-cent silver coins quoted HK\$ 2.85 per five coins.

* * *

Rates of Interest

The local money market being always easy, depositors cannot earn more than 2¼ % p.a. on fixed deposits on annual terms and less when deposited for six months. Savings accounts will only bring 2% p.a. No real incentive therefore exists in Hongkong for saving money in the conservative form of savings accounts and fixed deposits. Some small banks including native style Chinese banks will grant higher interest, namely 3% on savings accounts (if provision for such accounts has been made) and 4% p.a. for 12 months fixed deposits. The so-called authorised exchange and commercial banks in the Colony would not exceed the rates of interest as indicated above.

The average investor here disdains to have anything to do with savings on the above lines; he is more inclined to go into business—any sort of business—and will frequently ignore the risk factor as high yield and profits are more desired than stability and security. However there is a growing number of small and medium investors who would be glad to put money into a bank account if the interest was more attractive. Unfortunately, Hongkong has never had banks other than foreign exchange and trade banks; the

business of real estate mortgage, building construction financing, long-term finance of other enterprises including manufacturing industries, has not been developed although in the postwar years it ever more became apparent that these lines of banking will have to be attended to, and that savings banks for the so-called small investor should be established.

In the above circumstances it is no wonder that many investors are looking for opportunities in foreign countries and that funds, for very many forms of overseas investment, have been transferred abroad. In recent years the trend to invest and speculate in US, Canadian and several European financial markets has become very pronounced. Quite a few brokerage firms specialising in overseas securities and general investments in North America, Europe, South Africa, Australia etc. have been doing good business and their profits have encouraged other financial agents here to dabble in this new field. The question of the political future of Hongkong does in no way enter into the consideration of transfer of funds to foreign countries; nobody seems to have any apprehensions about the stability of Hongkong. Purely economic considerations have induced people here, of Chinese and non-Chinese nationalities, to invest part or even the whole of their capital abroad.

One of the leading considerations was the low rate of interest and the comparatively higher rates in many of the advanced highly industrialised countries. So long as commercial banks cannot accommodate deposits at higher rates of interest, and the establishment of a special savings institute is being delayed, the trend of funds flowing abroad will continue. The stock and share market, it is argued, could to a certain extent satisfy the needs of the general investor giving him a good return (from 4% for the so-called gilt-edged to 12% for industrials). But many investors have a prejudice against the share market; they do not trust in the stability of stock quotations, fearing depreciation and thus nullification of the yield; besides the high commission charged by brokers of 1% on every transaction (making in the end 2% on a completed turnover) acts as a deterrent for the general investor (which category includes doctors, lawyers, government clerks, professionals, better paid white collar office staff etc.).

Recently, the First National City Bank of New York, Hongkong, in-

formed the public that as from 1st July savings accounts maintained in New York at their head office and branches in the US will be paid interest at the rate of three per cent p.a. on balances up to US\$ 25,000. Such interest is tax free for non-resident aliens; there being no tax deductions or liability on bank interest. (In the US however an American or alien resident in the US has to consider bank interest as part of his income on which income tax is to be paid provided that his total income is taxable). The above information was received here with great attention. The tax-free stipulation leaves the owner of a savings account with a net return of 3% (while in Hongkong the interest paid by certain native banks at the 'high' rate of 4% p.a. is liable to a deduction of 12½% HK Gov't income tax). Bonds and stocks purchased and owned in the US by non-resident aliens (such as Hongkong residents) are subject to a 30% deduction of tax at the source. Therefore a net 3% interest, as above, compares favourably with the net yield obtainable by local investors from US securities.

That New York banks are prepared to pay such a high rate of interest may have come to many as a matter of surprise. For well over 20 years the large commercial banks in New York have not been able to offer such a high interest on savings accounts; it is in fact the highest record since long before the last war. Most banks in New York offer now 3% on savings accounts but purely savings banks grant still higher interest, at least 3¼%, and if such savings banks are mutually owned, there is an added dividend feature. West Coast banks in the US have already been paying high interest for quite a period and are now allowing slight increases over the interest rate of New York banks. The money market in the US being extremely tight the prospect for still higher interest appears favourable.

As to the operation of savings accounts in America they can be operated only by passbook which must be presented when withdrawals are made, and payments are generally not authorised to third parties. This means that the owner must pay himself whether by cash or by transfer for credit to another account in his name. A third party can obtain payment by presenting the passbook and signed withdrawal slip. Payments can also be made to banks for credit of the depositor's account, also upon presentation of the passbook. In addition, accounts are maintained for individuals and not for firms and these precautions are

obviously to maintain the character of a savings account rather than a commercial account.

Many banks in Canada are offering attractive terms to depositors. Even on current accounts the rate is at least 2% p.a. One can open accounts in Canadian banks in freely transferable US currency. On fixed deposits some Canadian banks will grant up to 4% p.a. Again, there is no tax deduction for non-residents, and as is well known, Canadian and US currency can be deposited and withdrawn without formality and without any limit as to amounts of dollars.

HK SHARE MARKET

Buyers remained hesitant last week. Fluctuations were small because there was no selling pressure. The undertone was steady; quotations might improve in a few weeks' time after the announcement of interim dividends.

Leading the market last week in popularity were cottons: Textiles had 10,000 shares transacted and quotations edged up to 4.80 but lost 5c at the close; Nanyangs had more buyers than sellers (200 shares changed hands at 8.30) and closed at 8.45 b without selling response. Union Ins. and HK Banks recovered from their lowest (89.50 and 1630 respectively) under better demand. Cements, Docks, Wharves, Realities and Hotels retained steady demand and firm prices. Electrics and Yaumatis registered slight gains while Telephones and Lights dipped fractionally under profit-taking. Wheellocks, Providents, Stores and Lands enjoyed steady demand but profit-taking also forced closing rates slightly lower than previous week. Turnover last week totalled \$2,033 million: Monday—Holiday; Tuesday—\$550,000; Wednesday—\$288,000; Thursday—\$510,000; Friday—\$685,000.

Popularity of US shares in Hongkong continued to lure funds from investing in local shares. Formerly, whenever US dollars dipped in local exchange markets speculators turned to the purchase of HK shares. Recently, this periodical drift of capital stopped because a decline in US dollar rates makes US shares cheaper to local investors.

HONGKONG STOCK EXCHANGE IN JUNE

Trading continued on a moderate scale throughout the month; prices were steady in general but Utilities, with the exception of Telephones, moved fractionally lower towards month-end. Buyers tried to force prices down but holders were reluctant

TRADE DEVELOPMENTS IN JUNE

Imports during June totalling \$399.7 million were \$65.4 m. less than in May. Shipments from UK and Europe were slower after heavy arrivals during the first five months while imports from Japan curtailed because demand from SE Asia for Japanese textiles and sundries turned sluggish. The drop in exports to SE Asia was reflected in export statistics: from \$283.7 m. in May to \$225.7 in June, a dip of \$58 m. Inadequate supply of popular staples from China and low buying offers from Korea, SE Asia and China for metals etc. also restricted the volume of exports.

Trading in the local commodity market during the month was mostly limited to small transactions. Prices for HK cotton yarn and cloth, Chinese and Japanese cement were firm on steady local and export demand; popular items of paper, chemicals, pharmaceuticals and China produce steady on high replenishment cost; metals began to recover from recent dips but improvements were fractional because supply still exceeded demand. On the other hand, heavy stock depressed quotations for Taiwan sugar, local and imported wheat flour, Thai rice, Chinese cloth and Pakistan cotton yarn.

Freight & Insurance Rates—The remaining 5% surcharge on freight for cargo to and from Europe (including UK) was removed on June 15. The 15% surcharge was introduced last November and reduced to 5% in May. Surcharge on insurance rates (war, strike, riot and civil commotion) for cargo to and from Europe via Suez was removed on June 21.

Expansion of Trade with China—Following UK's ease of embargo on trade with China, most Chincom countries (Netherlands, Denmark, Belgium, Luxembourg, West Germany, France, Norway, Portugal and Italy) synchronized the China embargo list with that applied to USSR and its European satellites. Japan will relax restrictions on China trade by end of July and will appeal to Chincom for permission to export ships to China. Countries in SE Asia, with the exceptions of Taiwan, South Korea and the Philippines, are all anxious to do more trade with China; they have been doing it anyway since last year. Australia, according to its trade Minister, does not intend at present to follow UK's lead in relaxing the China embargo.

US maintains a total ban on trade with China in spite of the fact that on June 20, Washington announced a further 200 non-strategic commodities which may now be shipped to USSR and other European Communist states without individual export licences. UK intends to appease US misgivings over the issue by maintaining tight export

Share	June 25	Last Week's Rate			Up & Down	Dividend	Annual Yield* (%)
		Highest	Lowest	Closing			
HK Bank	1630	1650 s	1635	1645 b	+\$15	\$80	4.86
Union Ins.	89.50 b	90.50	90	90.50	+\$1	\$3.40	3.76
Lombard	39 s	39 s	37 n	37	steady	\$2	5.41
Wheelock	7.80	7.50	7.75	7.75	—5c	75c	9.68
HK Wharf	108	109 s	108	108	firm	\$6	5.56
HK Dock	45	45.25	45	45	firm	\$2	4.44
Provident	13.10	13.10	12.90	13	—10c	\$1	7.69
HK Land	38.75	35.75	35.50	35.50	—25c	\$3.50	9.96
Realty	1.45	1.475	1.45	1.475	+2½c	15c	10.17
Hotel	15.50	15.60	15.50	15.60	+10c	\$1	6.41
Trams	23.20	23.20	23.10	23.20	steady	\$1.70	7.33
Star Ferry	135 n	136 s	135 n	135 n	steady	\$9	6.67
Yaumati	102	103	103 b	103	+\$1	\$7.50	7.28
Light	18.80	18.80	18.60 b	18.70	—10c	\$1.10	5.88
Electric	29.80	30	29.80	29.90	+10c	\$2	6.69
Telephone	28.40	28.20	27.90	28	—40c	\$1.50	5.36
Cement	32.50	32.50	32.50	32.50	firm	\$4	12.31
Dairy Farm	14.80	14.80	14.60	14.60	—20c	\$1.63	11.16
Watson	11.80	11.80	11.60 b	11.70 s	—10c	\$1	8.55
Yangtze	6.30 b	—	—	6.30 n	quiet	70c	11.11
Allied Inv.	4.70	4.75 s	4.60 b	4.65	—5c	25c	5.38
HK & FE Inv.	10.30 b	—	—	10.30 b	quiet	75c	7.28
Amal. Rubber	1.85 s	1.55 s	1.50 b	1.525	—2½c	28c	18.36
Textile	4.725	4.80	4.75	4.75	+2½c	50c	10.53
Nanyang	8.20	8.45 b	8.30	8.45 b	+25c	\$1	11.83

* Annual Yields are only ESTIMATES calculated with current X-All rates against last year's dividends.

to sell at low; and the last two days more buyers appeared and fractional increases were recorded.

Banks & Insurances: The demand for Hongkong Banks and Unions was not maintained, and both lost ground slightly. **Investment Companies:** Only a moderate volume of business was reported with Allied and Yangtzes in the lead. **Shipping:** Wheelocks had a substantial number of shares changing hands. Others were inactive. **Docks & Wharves:** Only moderate trading reported. **Lands & Hotels:** Demand for Hongkong Hotels continued but fewer Hongkong Lands changed hands. Trading in Humphreys and Realities was on a moderate scale. **Public Utilities:** Demand for China Lights and Rights was strong earlier in the month. Hongkong Electrics and Telephones showed an appreciable rise over the previous month's closing rate. **Industrials:** A fair number of Cements changed hands without affecting rates. **Stores:** Moderate trading in Dairy Farms and Watsons was reported. **Miscellaneous:** Business was negligible with small deals in Entertainment and International Films. **Cottons:** Nanyangs were active with small price gains. **Textiles too attracted steady demand. Rubbers:** Amalgamated followed by Rubber Trusts were again in the lead, at rates influenced by the Raw Rubber price.

Dividend announcements were made by Chinese Estates, China Emporium, Wing On, Textile Corporation, and Ayer Tawah Rubber.

Business reported in June: \$13,007,662. Business during 1956: \$211,002,275. Business during January-June 1957: \$84,495,555. Business in June, 1956: \$23,379,243.

BUSINESS REPORTED IN JUNE

	Qty. of Shares
H.K. Govt Loan	
3½% (1934 & 1940)	\$2,000
3½% (1948)	\$73,000
H.K. Bank	443
Union Insurance	1,830
Allied Investor	10,000
Yangtze	10,363
H.K. & Far East Inv.	1,100
Indo-China (Def.)	200
Union Waterboat	450
Asia Navigation	500
Wheelock Marden	143,060
Wharf Co.	1,180
C. Provident	19,618
H.K. Dock	14,700
Shanghai Dock	3,375
H.K. & S. Hotels	36,212
H.K. Land	25,545
" (Rts.)	2,911
Shanghai Land	14,000
Humphreys	4,227
Realty	60,000
H.K. Tram	41,747
Yaumati Ferry	3,030
China Light	57,553
" (Rts.)	34,902
H.K. Electric	30,901
Macao Electric	3,000
Telephone	65,005
Cement	20,100
Rope	1,500
Amoy Canning	596
Dairy Farm	31,201
Watson	24,584
Lane Crawford	1,150
China Emporium	587
Kwong Sang Hong	50
China Entertainment	1,100
Vibro Piling	1,250
Shanghai Gas	2,000
Intl. Film	15,000
Textile	56,700
Nanyang Mill	26,000
Rubber	
Amalgamated Rubber	167,250
Ayer Tawah	7,748
Java-Consolidated	20,354
Rubber Trust	121,508
S'hai Kelantan	11,000
Sungala	41,480

quotas. Other Chincom countries are also in favour of this policy. Discussions among Chincom countries including US are now under way on fixing quotas for China.

Meanwhile, Canton claimed that in addition to many offers from UK to supply China with equipment and goods which were formerly on the embargo lists, there were similar quotations from West Germany, France and Japan. In view of the keen competition in offering equipment and goods to Peking, UK businessmen may not be able to increase exports to China by 400% as some trade experts in London had predicted. In Peking a foreign trade official commented that it was regrettable that the embargo had not been lifted entirely! There were also reports from Peking revealing that China can now meet 60% of her own needs in machinery and factory equipment, that emphasis this year and in the second 5-year plan period will be on agriculture and light industry, and that China had arranged her programme of imports and exports for 1957/58 before the British decision of relaxing the export embargo. In other words, Peking will cut imports of heavy machinery and equipment during the next 5 years. Furthermore, Peking's purchasing power will also be adversely affected by the sharp reductions in exports of edible oils and other commodities due to supply shortage.

However, Peking will be politically unwise not to exploit the situation by increasing her purchases from UK and other countries which have eased the embargo. In the first place, many equipment and supplies are now much cheaper than when these items were bought through USSR and East Europe. Increased purchases from Japan will facilitate the resumption of diplomatic relations between Peking and Tokyo. Furthermore Peking has adequate sterling reserve at present to buy essential supplies from UK. Since UK's relaxation of trade restrictions, China has ordered 37 tons of rubber accelerator, 200 tons potassium cyanide, 8 tons fine enamel copper wire, 76 heavy trucks and some auto parts from UK; among these contracts, 27 tons of rubber accelerator and six 4½-ton trucks were concluded with HK agents of UK manufacturers. Towards end of June, another order for 40 British heavy trucks was under negotiation.

In trade with Japan, Peking had in the past year shipped more to than bought from Japan because most items required by China were under embargo. The relaxation of restrictions should enable Japan to export more to China. Last month, one Japanese merchant went to China and sold HK\$32 m. worth of rayon yarn while another Japanese trader concluded with Chinese officials nearly HK\$20 m. worth of contracts covering 2-way trade. The volume of Japan/China trade will further in-

crease after the pending renewal of trade agreements between Japanese businessmen and Peking officials.

To handle the increasing volume of trade with the West, Peking recently completed a new wharf, big enough to accommodate four 5,000-ton vessels, in Tsam Korg. A large wharf built there last year can take two 10,000-ton ships; another wharf is being constructed for oil tankers. New construction works are being carried out at Whampoa harbour; according to Peking's statement, 100 foreign ships from 18 countries (including 21 British vessels and 15 Japanese ships) called at Whampoa during the first 6 months this year. British ships also called at Amoy; this island is now linked with the mainland by the recently built rail and highway levee.

HK/China Trade—During the first half month, there were a large number of orders from China for metals, pharmaceuticals and other essential supplies. The improvement in demand was not brought about by the relaxation of embargo on China. Peking, Shanghai and Canton bought more metals and other supplies from here because prices in the local market were mostly below new indents. Consequently when quotations firmed during second half month, particularly in the case of metals, China curtailed purchases from here. On the other hand, luxury items and gold continued to trickle through the bamboo curtain from here to China in spite of strict preventive measures adopted by Chinese authorities over the border at Shum Chun. To discourage illicit imports, Canton ruled that visitors from HK must not sell any articles to people there; only government authorized agencies are allowed to purchase, at controlled prices, consumer goods and luxuries (watches, fountain pens, etc.) brought there by HK residents.

Imports of foodstuffs from China continued heavy throughout the month; there were also consignments of tea, woodoil, drawn lace work, coal, rosin, paper, cement, window glass and other light industrial products but quantities were small. China prefers to ship these supplies direct to SE Asia or to sell paper, cement, etc. direct to Singapore, India, Pakistan and Bangkok with shipments made via HK.

China's Trade with Other Countries—China and Hungary signed the 1957 Trade and Payment Agreement in Budapest early in June covering Chinese minerals, farm products, textile and chemical raw materials, hides, and consumer goods in exchange for Hungarian power station and tele-communications equipment, machine tools, vehicles, geological prospecting and other apparatus, farm machinery, chemicals and drugs. To Finland, China sold 300 pianos. The Sino-Cambodian Trade Agreement was extended for another year; in addition, a payment

agreement was signed between People's Bank of China and State Bank of Cambodia.

HK/Japan Trade—Local dealers curtailed indents from Japan due to the decline in demand for Japanese goods from SE Asia. In the case of paper, bookings during the month covered only small quantities of a few items because cost was too high. On the other hand, Japanese electric appliances retained steady local demand while cement remained popular with local contractors and exporters; improvement in these imports however was not substantial enough to offset decline in others.

Measures introduced by Tokyo to discourage imports from sterling area handicapped HK exports to Japan. Buying offers from Japan for scrap iron were still too low to interest dealers here. Demand for China produce was steady but purchases from here, particularly of those items supplied by China, restricted by supply shortage. As a result, most orders concluded were for staples from SE Asia. Importers in Japan were planning to obtain bulk supply of staples from China direct during the coming trade talks with Peking officials.

HK/UK and HK/Europe Trade—Imports of metals from UK and Europe were much less than previous months. Supply of paper improved while imports of automobiles, woollen textiles, wines and provisions, plastic moulding compound, radio receiving sets, pharmaceuticals, chemicals and other commodities remained normal. Local dealers refrained from booking more metals from UK and Europe because market here was still heavy with old stock and new supply.

Exports from here to UK and Europe consisted chiefly of HK manufactures including cotton textiles, rubber shoes, shirts and other wearing apparel, gloves and other knitwear, bed sheets, napery, torch, plastic toys, and preserved ginger. UK shirt manufacturers were striving to check the increasing imports of cheap shirts from HK. In view of the unsuccessful attempts of UK textilemen to limit imports of HK cotton cloth any unfounded adverse criticism would only boost the popularity of HK shirts. Demand from UK and Europe for China produce improved but most transactions covered forward direct shipments which neither stimulated the local market nor improved the volume of HK/China trade.

HK/US Trade—Tourists, local residents and smugglers provide steady demand for American consumer goods particularly for luxury items; local factories consume large quantities of cotton, black plate and other industrial supplies from US; the local building boom stimulates demand for American elevators, electric fittings and

other construction equipment and supplies. In spite of the fact that there are factories here making 'stretch' socks, shorts, vests, towel, shoes and swimming costume, imports of these items from US remain heavy.

In exports, rattan furniture constituted the major portion of shipments to US last month. Exports of rattan ware will be handicapped in the future by the recent increase in freight charges for this item. Demand from US for HK manufactured shirts is improving. Shirt makers in US are worrying about this rapid increase; one of them however is starting a factory in HK to make shirts exclusively for American markets. Export of this item to US during the second half year would probably further increase. Other HK products which retained steady demand from US included gloves, torch, plastic tops, cotton textiles, firecrackers, wooden furniture and Chinese style foodstuffs. US Consulate here is helping Chinese refugees to market their handicraft in America. Shipments of fresh frozen shrimps, prawns and fish to US (covered by comprehensive certificates of origin) were resumed.

HK/Canada Trade—Imports from Canada consisted chiefly of wheat flour, wheat, canned food, and paper. Demand from Canada for HK rubber shoes revived but competition was very keen from Japanese and Indian products. A Canadian merchant went to Canton and bought C\$200,000 worth of staples including bristle, raw silk and tea for shipment direct from China before year-end. From here, Canada bought green peas and menthol crystal.

HK/Indonesia Trade—With the exception of cotton yarn, exports to Java during June were insignificant because Djakarta had suspended allocation of foreign exchange for ordinary imports in the previous month. Exchange allocations were resumed during the month but purchases were limited to essential supplies including cotton yarn, galvanized iron sheet, newsprint, cigarette paper, tinplate, wire shorts, mild steel round bars, iron wire nail, g.i. wire, chemicals, fertilizers, sewing machines, auto parts, packing materials, etc. Orders reached here covered only a few items (metals, paper, chemicals) and quantities involved small. Exports to Indonesian ports outside Java remained active; principal items were cotton textiles, hurricane lanterns, torch, garlic, knitwear, enamelware.

Imports of rubber, rattan and other staples from Indonesia averaged only about 400 tons a week. To encourage exports, Djakarta allowed exporters there to retain 80% of foreign exchange earned from exports for financing imports or to sell this 80% holding (in the form of an exchange certificate) to importers there. This

measure may stimulate shipments of rattan, raw sugar, etc. to HK but at the same time it also requires Indonesian importers to obtain such exchange certificates from exporters at a premium for most imports. Consequently, imports will be more expensive to Indonesian consumers; purchases from HK will also be limited to the volume of HK imports from Indonesia. On the other hand, importers there no longer have to depend upon uncertain and irregular government allocation of foreign exchange and if the premium for exchange certificates does not spurt too high, imports from here will be more steady. Much however depends upon the actual handling of the foreign trade by Jakarta and the development of trade relations with other countries. The cancellation of open accounts arrangement between Indonesia and Japan and the switch to free transferable sterling in future payments may indirectly stimulate Jakarta's purchase of Japanese goods from HK. Tokyo, at month-end, already restricted exports to Indonesia to cash payments because Indonesia had accumulated a trade debt of US\$170 m to Japan. This may force Indonesia to return to HK for Japanese textiles and other products during second half year.

HK/Thailand Trade—Bangkok's imports from here also slowed down. Orders reached here during the month covered only small quantities of structural steels, pharmaceuticals, cement, paper, chemicals and HK manufactures including knitwear, paint, enamelware and cotton textiles. The slow-down was probably due to Bangkok's increased volume of direct purchases from China (transhipped here), Japan, US, UK and West Germany. Tight money and weak commodity prices in Bangkok also discouraged importers there from booking too much supplies. Towards month-end, Bangkok allocated US dollars from Aid Funds for imports of cotton yarn from here. There were also enquiries for HK\$3 million worth of uniform and other equipment from the Thai Army.

Imports of rice from Thailand remained very heavy throughout the month. There were also consignments of beans, live cattle, groundnut oil, green peas, maize, salt, timber, starch and other staples from Bangkok but quantities were insignificant when compared with rice shipments. In view of the competition from other rice suppliers in SE Asia, rice merchants here might curtail imports from Thailand because Bangkok's cif HK prices were very firm during second half month.

HK/Korea Trade—Seoul earmarked over US\$10 million for imports of fine chemicals, agricultural machinery, dyestuffs, pharmaceuticals, newsprint, paper bag, steel products, scientific instruments, machinery and equipment. Orders reached here covered only small quantities of metals, paper, pharmaceuticals, chemicals, mustard seed, etc. Transactions were handicapped by low buying offers and in the case of paper by short stock here. Purchase of rice and wheat flour slowed down after recent heavy imports from here. Exports to Korea are not likely to improve in the near future because Seoul prefers to buy direct from Japan, US and Europe whenever possible. During the month, Seoul further relaxed restrictions on imports from Japan to facilitate purchases from that country. Consequently Seoul allocated only small sums of exchange for imports from HK; many exporters here again had difficulty in getting their funds back after sending consignments to Pusan.

To the local market, Seoul sent a trial shipment of cotton yarn. Up to end of 1956, Seoul had been one of the principal customers for HK cotton yarn. Imports of agar agar, gallnuts and sea food from Korea remained insignificant because cost too high to interest dealers here.

HK/Taiwan Trade—Imports of live hog, sugar, fruit, garlic and ginger from Taiwan were steady throughout the month. There were also consignments of tea, coal, straw board, cotton cloth, but supply irregular and quantities small. Demand from Taiwan for metals, pharmaceuticals, chemicals and other essential supplies was keen but limited to a few popular items only. Exports however failed to improve because transactions were handicapped by low buying offers.

HK/Malaya Trade—Shipments to Singapore and other Malayan ports were very active throughout the month but curtailed towards month-end because rail transportation workers in Malaya and dockers on Singapore water-front were on a go-slow strike. Purchases from here during the month were not as heavy as previous month. Indonesia recently bought less HK products from Singapore and Malaya; as a result, these markets were overstocked with HK goods. Demand from Singapore and Malaya for Chinese products (paper, foodstuffs, etc.) remained keen but purchases from here not very active because Singapore merchants were anticipating to do more direct business with China (Singapore rubber vs. Chinese staples, foodstuffs and light industrial products). A

Singapore businessman, who had recently visited China, stated that Peking was anxious to station a trade representative in Malaya to handle the purchase of Malayan rubber and copra. If these developments further cut exports from here to Malaya (at present HK's most important customer in the Far East) HK's total export during coming month may further decline.

HK/Philippines Trade—Importers in Manila rushed purchases from here before the expiration of old licences at end of June. Dealers here were not optimistic about the improvement because prospects appeared uncertain especially when the Philippine Congress submitted a "Foreign Exchange Link System" to the President limiting imports to the volume of exports. If HK/Philippines trade is restricted to barter dealings, then exports from here will decline because local demand for mangoes (major imports from Philippines at present) is limited while other staples from the Philippines are too expensive for the local market. However, towards month-end the President vetoed the link system and reduced duties on essential supplies; duties on imports of non-essentials, luxuries and goods which can be produced by domestic industries were increased. This measure has already stimulated prices for luxuries in Manila and may eventually encourage smuggling (via North Borneo?) of luxuries and other restricted imports from here to the Philippines.

HK/Cambodia Trade—Cargo movements between HK and Cambodia were very active throughout the month. Imports of beans, rice, maize, sesame, and other staples averaged 3,000 tons a week. Exports totalled about 9,000 tons last month and consisted chiefly of cement, enamelware and other metalware, cotton textiles, paper, garlic, onion and other foodstuffs. Purchases from here were slower during the last week chiefly due to the curtailment of orders financed with self-provided foreign exchange. Prospects are good because at month-end Phnompenh earmarked US\$600,000 for imports from HK.

HK/Laos Trade—There were enquiries from Vientiane for automobiles, generators, office equipment and HK products but no order concluded. Large quantities of transit cargo from here to Laos are still stranded in Thailand waiting for delivery.

HK/Vietnam Trade—Although Saigon got a loan of \$25 m from US for economic developments, purchases from here remained stagnant because (1)

market there was overstocked with commodities imported during first 5 months this year while purchasing power remained low; (2) Chinese traders were inactive due to restrictions imposed by authorities there on them; (3) Japan, US and France shipped supplies direct to Saigon. Trade with South Vietnam may reactivate after the majority of Chinese merchants there have adopted Indonesian citizenship. Actually, trade prospects are very encouraging because Saigon can get many Japanese and American goods from HK at prices much cheaper than direct imports from these countries. Saigon can also supply HK with more rice, beans, live pigs, poultry, and sundry provisions but prices must be more competitive than at present.

Barter dealings between HK and Haiphong remained active but restricted to small consignments of rice, feather and other staples from North Vietnam in exchange for insignificant quantities of paper, chemicals, dye-stuffs and other supplies from here.

HK/Burma Trade—Imports of beans from Burma were curtailed on account of shortage in Rangoon. Exports were much less compared with previous months; with the exception of an order for 1,000 tons of groundnut oil, purchases from here were restricted to small quantities.

HK/Ceylon Trade—Demand from Ceylon remained sluggish. Under barter trade with Peking, Colombo will continue to import large quantities of light industrial products and foodstuffs from China.

HK/India Trade—Shipments from here to Calcutta, Madras and Bombay consisted only of small quantities of cassia, torch and other HK manufactures. Several consignments of Chinese galvanized iron wire, paper, wood-oil, menthol crystal were transhipped here to Indian ports. Recently, India bought more newsprint and staples from China than from the local market. Imports of ramie, cotton yarn and cloth from India were limited in quantity because indents higher than Pakistan products.

HK/Pakistan Trade—Imports of cotton yarn from Pakistan slowed down. Karachi merchants tried to increase yarn indents but quotations in the local market failed to improve; several brands dropped below replenishment cost forcing dealers here to curtail the booking of new supply from Pakistan.

HK/Africa Trade—Exports to Union of South Africa totalled 5,000 tons

last month; principal items were matches, metalware, shirts, cotton textiles, rayon piece goods, rainwear, children's garment and other HK manufactures. Prospects uncertain because increasing volume of Chinese window glass, textiles and aluminumware are being shipped direct from China to Capetown and other ports in S.A. Capetown will also increase duties on many imports to protect domestic industries; items affected include socks, buttons, raincoat, enamelware, children's garment. French East Africa provided better demand for HK products; Madagascar sent here more orders for enamelware, cotton textiles and plastic products. Exports to French West Africa also steady but shipments to British West Africa curtailed on account of keen competition from Japanese products in that market. Imports came chiefly from South and East Africa; principal items were cotton, sugar, groundnut oil, ivory, tanning extract, canned beef and fruits.

HK/North Borneo Trade—Imports of firewood, rubber, timber and scrap metal exceeded 8,000 tons but exports remained sluggish consisting only of small quantities of structural steels and cement.

HK/Australia Trade—Imports of dairy products, frozen meat, wheat and flour, wooltops, fruits, hide and canned food totalled 6,000 tons. Exports of HK products improved and principal products shipped there were cloth, shirts, umbrella, toys, rattan furniture and vacuum flask. Demand from Australia for clothing, furniture, toys may further improve because authorities there have relaxed import licensing controls on these items. Orders for woodoil and other staples however were mostly for forward direct shipments from China to Australia.

HK/Middle East Trade—Exports to Aden, Al Kuwait, Port Sudan and other M.E. ports improved after the resumption of Suez traffic. About 4,000 tons of enamelware, plastic products, cotton textiles, torch, rubber shoes, hurricane lanterns, etc. were shipped to these ports during the month.

China Produce—Trading was active throughout the month but turnover small; low buying offers prevented popular items from advancing while short stock curtailed the volume of business. China shipped here a small lot of soya bean but supply of other popular items such as cassia, woodoil, rosin, egg products, hog casing and bristle was far from enough to meet

the demand. Australia, Europe and Japan therefore booked forward cargo of woodoil, egg products, feather, hog casing while Canada ordered tea, hog bristle, raw silk; shipments will be made direct from China to various destinations. Japan's purchase of maize from here may further decline if US continue to supply this item to Japan at prices much cheaper than HK market quotations. Orders from Singapore, Japan, Canada, India and local food manufacturers for various types of beans and oilseeds were met with supply from SE Asia, chiefly from Cambodia.

Metals—More mild steel bars, plates, sheets, pipes and waste waste arrived from UK, Europe and US during the month but quantities much less than previous month. With the exception of scraps, prices were steady in general; no further dips although cif offers from Europe were marked slightly down towards month-end. The firm trend was brought about by steady demand from China, Taiwan, Korea and SE Asia. Japan bought some mild steel plate cuttings, enquired for steel bars, plate and scraps but made no commitments. Japan was not keen on scraps from here probably because US had agreed to supply Japan with scrap metal's up to the quantity equivalent to 113% of Japan's 1956 purchase of scraps from US. Mild steel round bars and other structural steels attracted orders from China, Taiwan, Philippines, Cambodia, Thailand, Burma and local contractors but heavy stock kept quotations at low levels. Galvanized iron pipe, black pipe, iron wire rod, steel wire rope, galvanized iron wire, mild steel plate, black plate, tin plate, waste waste were also favoured by China, Korea, Taiwan, Philippines and SE Asia but buying offers were very low; many orders fell through because dealers here refrained from accepting counteroffers which were below the lowest possible quotations in the local market.

Paper—Supply from Europe relieved shortage here but with the exception of newsprint in reels, stock of popular items was still not very adequate particularly of those items favoured by Korea (woodfree printing, aluminum foil, cellophane, glassine, duplex board, sulphite and tissue). To meet the demand from local consumers and SE Asia for poster, newsprint in ream, woodfree, sulphite, kraft, bond, m.g. cap, manifold, cellophane and straw board, dealers here booked supplies from Japan and China. However, imports from Japan were handicapped by high cost while replenishments from China restricted to small quantities.

Trading volume was low because Korea, Thailand and other buyers all considered prices here too high although local quotations for many items were lower than new indents from Japan, Europe and China. Exports to SE Asia slower also because of the rainy season.

Pharmaceuticals—Demand from China, Korea, Taiwan, Singapore, and other SE Asian countries was centred on a few items mostly antibiotics and fine chemicals. Trading volume was restricted by inadequate stock of those items suddenly favoured by exporters (sulfonamides, saccharine crystal, phenacetin, amidopyrin, antipyrin, vitamin C powder). China therefore booked forward cargo of sulfadiazine, amidopyrin, antipyrin and vitamin C powder from local agents of UK and European manufacturers. Local demand for penicillin preparations, isoniazide tablets, saccharum lactose, phenacetin, vitamin B1 powder was steady but quantities consumed small. Prices in general firm on account of high replenishment cost but low buying offers from China and other sources prevented gains.

Industrial Chemicals—China's purchase of rubber accelerator and potassium cyanide from UK following the ease of trade embargo did not benefit the local market because these transactions were either negotiated by manufacturers' local agents or between UK and China direct; furthermore, shipment will probably be made direct from UK to China. Future orders from China, if any, will go chiefly to local agents of UK and European manufacturers unless dealers here by chance have the items which Peking wishes to buy and furthermore, prices must be right and stock large enough to meet the demand as in the case of hydrogen peroxide, acetic acid, shellac and gum copal last month. Demand from SE Asia also covered only a few items because these countries bought the bulk of their supplies from Japan, US and imported from here only when

local prices were low. Consequently there were more enquiries than orders for sodium hydrosulphite, sodium bichromate, acetic acid, citric acid, red phosphorous, mercury, tanning extract, petrolatum, calcium hypochlorite, caustic soda, glycerine, linseed oil, zinc oxide and formalin from Thailand, Indonesia, Philippines, Cambodia and Taiwan.

Cotton Yarn—Hongkong products firm on strong local and export demand. Local consumption of coarse yarn was particularly strong because HK manufactured towel and coarse cloth enjoyed better export demand. On the other hand, fine yarn consumption was adversely affected by the decline in export of knitwear; however demand from weaving mills remained strong. Pakistan yarn turned sluggish when quotations here marked up in line with advanced indents; Karachi therefore pegged prices lower. Japanese fine yarn eased under sluggish demand and lower indents. A trial shipment of Korean yarn was booked by local dealers; prices were higher than Pakistan products but cheaper than local brands. India resumed its supply of cotton yarn to Hongkong; quantities reached here were too small to affect the market.

Cotton Piece Goods—Hongkong grey cloth remained firm because demand from local mills and exporters kept weaving factories here working on double shifts. HK drill was weaker because spot transactions slowed down. Chinese grey sheeting remained sluggish while Japanese grey sheeting and white shirting steady on improved demand from local factories. Taiwan grey quiet, short stock kept prices firm.

Rice—Local consumption remained normal but heavy imports, particularly from Thailand, forced prices lower although Bangkok prices were marked up. Price hikes are unlikely as long as imports from Thailand remain heavy. Cambodia, Burma, Vietnam and China

are also sending substantial quantities of rice to the local market.

Wheat Flour—The local wheat flour market remained weak throughout the month because more supply arrived from US, Canada, Australia while export demand failed to improve. SE Asia curtailed purchases of this item on account of the rainy season; Middle East turned to Europe for supply; while Korea slowed down imports of this item after recent heavy purchases. HK products also marked down during the month.

Sugar—Imports of granulated sugar from Taiwan were very heavy during the month while local demand and exports slowed down. Prices remained steady during first two weeks because there was no selling pressure. Towards month-end, heavy stock forced down prices although the international market was firm. Enquiries from Rangoon and Saigon failed to stimulate the market because Burma finally bought from Singapore while South Vietnam purchased only a small consignment. The warm and humid weather further discouraged speculative activities. Taiwan and Philippine brown sugar however remained steady on indent advance. HK Taikoo products retained steady local demand but prices declined slightly at month-end under pressure of Taiwan products.

Cement—In addition to strong local consumption, Burma and Cambodia provided steady demand for HK and Japanese products while Thailand and North Borneo favoured Chinese cement in addition to HK products. Supply situation of Chinese cement improved but still far from adequate to meet the demand while imports from Japan very heavy during the month. Demand from SE Asia may decline during the rainy season but local consumption will remain heavy in view of the large number of building projects launched recently.

Commodity Prices in June will be published next week.